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CYL First Secretary Discusses CYL Structural Reform

HK240315 Beijing LIAOWANG [OUTLOOK] in Chinese No 10, 7 Mar 88 pp 22-23

[Article by Chen Min [7115 2404]: "Bold in Heart and Prudent of Pace—Song Defu on Reform of the CYL Structure"]

[Text] Recently, the CYL Central Committee proposed some basic ideas on reform of the CYL structure. Our reporter interviewed Song Defu, first secretary of the Secretariat of the CYL Central Committee about these proposals.

Song Defu, 42, has been working for the CYL for more than 10 years. He was elected first secretary of the Secretariat of the CYL Central Committee in 1985.

Song Defu said: Being an assistant and reserve unit of the party, the CYL has always taken as its lofty duty and mission uniting, educating, and leading young people to fight heroically for the realization of the party's tasks and has played an exemplary and vanguard role in the various historical periods of the Chinese revolution and construction. At present, the great tide of reform is lashing at our age-old country, and profound and significant changes are taking place in our social life. Compared with the previous generations, with the changes in our social environment, more changes have also taken place among our young people in both the physiological and psychological fields. Young people of the 1980s like to ponder things independently and do not like to follow others blindly. They have a greater desire to participate in social activities and their mental world has become more complicated... Therefore, judging from the overall situation, the work of the CYL still cannot suit the rapid changes in real life in our society and the subjective demand of people of the younger generation. This is chiefly expressed by the following facts: The social functions of the CYL are still not clear; there is insufficient democracy within the organization, the degree of socialization of the work of the CYL is not high enough; and many CYL organizations are not as advanced as required and are not composed of most advanced young people, making them less attractive to young people than they should be. The causes for these problems are: The existence in varying degrees of a tendency to run the CYL organizations as administrative organs at various levels; and no distinction is made between the party and the league and between the government and the league. As a result, the CYL organization is unable to represent and safeguard the interests of young people in an all-round way and it is often divorced from the masses of young people. Another important reason is that the CYL organization and work do not have sufficient guarantee by law and material support. Therefore, only by emancipating the mind and resolutely carrying out reforms can we find a way out.

Song Defu told our reporter that as early as in February last year, the CYL Central Committee had already begun to focus on studying this problem. Over the past few years, CYL organizations at various levels have made helpful explorations in their own reform and construction and have accumulated some experiences and established a certain practical basis. There has also been an increasing demand for reform among the broad masses of CYL cadres. Since the 13th CPC National Congress, the CPC Central Committee has made some major arrangements for reform of the political structure and has put forth some principles and demands for reforms of various mass organizations, including the CYL. Along with the overall development of reform of the political structure, we believe that the conditions are now ripe for us to place reform of the CYL structure on the agenda.

The objective of reform of the CYL structure is: Through our unremitting efforts, to build the CYL organization into a mass organization of advanced young people, which has definite social functions and a perfect democratic life and which has various grass-roots units that are full of vitality, capable of representing the interests of young people, and worthy of the youths' trust. It will carry out its work independently under the leadership of the CPC so as to play a positive role in building socialist material and spiritual civilizations and promoting democracy in political affairs.

Based on this objective, there are 10 major tasks for reform of the CYL structure, including the internal mechanism and the external environment: 1) To define the social functions of the CYL; 2) to represent and safeguard the concrete interests of young people; 3) to participate in the democratic dialogues in society; 4) to reform the organizational system of the CYL; 5) to reform the personnel system of the CYL; 6) to establish a mechanism of democratic policymaking and democratic supervision; 7) to change the forms of activity in order to enliven the grassroots units; 8) to seek more sources of funds for the CYL's activities; 9) to promote and properly handle relations between the CYL and various other sectors of society; and 10) to establish the CYL's legal position.

Song Defu said: Now, the first problem to solve inreform of the CYL structure is to define the social functions of the CYL. The CYL is a mass organization of advanced youths under the leadership of the party. It is not an ordinary youth organization or an ordinary mass organization. Thus it should have the following three social functions:

1. To unite, educate, and guide youths to fight for the realization of the Party's basic line for the initial stage of socialism and train themselves in the course of building socialism with distinctive Chinese characteristics into a new generation of people who have ideals, morality, cultural knowledge, and a good sense of discipline so that they can give play to their roles as the assistants and reserve forces of the party.

2. To participate in building socialist democratic politics and reflect the opinions and demands of the young people in social consultations and dialogues and in democratic management and supervision, so that the role of the CYL as the bridge and link between the party and government on one side and the masses of young people on the other can be brought into play.

3. To represent and safeguard the concrete interests of the youth and serve youth wholeheartedly, so that the role of the CYL as a social representative of the interests of young people can be brought into play.

Song Defu continued: We hold that only by giving play to the above-mentioned three functions simultaneously can the social position and existing value of the CYL be well reflected, making the functions of the CYL unique, replaceable neither by those of the party, the government, nor by other social organizations.

Reform of the organizational system of the CYL is an important aspect of the structural reform which concerns the internal mechanism of the organization and which is a basic channel for self-rejuvenation of the CYL under the new historical conditions. We plan to carry out this reform by the following steps.

1. Reform the structure of grassroots organizations of the CYL. On the question concerning the subordinative relations of the CYL organization, a variety of forms can be adopted and the management can be conducted mainly by the local authorities and supplemented by work done by the central authorities. The setups of the CYL organization can be different from those of the party organization. For example, there is a party branch in a certain unit, but the setup of the CYL organization in this unit may not necessarily be a league branch, but can be a general branch or even a league committee.

2. After separating party from government, the league organization can adopt diverse forms and methods in management.

3. The following target should be reached: systematization of democratic life in the CYL organization and realization of democratic election, democratic policy making, and democratic supervision.

4. Gradual adoption of a system of membership cards for CYL members.

To determine the legal position of the CYL in the state's political and social life and endow it by law with the power to participate in and exercise supervision over youth affairs so that it can effectively perform its social functions within the limits permitted by law is a very important external condition for the CYL to establish and develop. We hope that the youth work can be brought into the socialist legal system as soon as possible. For example, to enact a special law on protecting the rights and interests and the growth of youngsters is a very important task. Now, the "Regulations on Protecting Youngsters" has already been worked out by Shanghai. Through efforts made over the past few years, we have also started to work out a national law on protecting youngsters. At the end of last year, the General Office of the CPC Central Committee, the Legislative Affairs Commission of the NPC Standing Committee, and the Central Commission of Political Science and Law of the CPC Central Committee gave approval for the CYL Central Committee to take the lead in drafting the law on protecting youngsters. A special group has now been established to take charge of this work and we hope it will be supported by all departments concerned.

Apart from the above-mentioned questions, there is also a question of funds in reform of the CYL structure. We plan to collect funds independently and gradually change the past practice of mainly relying on state-allocated funds to one of mainly relying on self-collected funds so that the long-standing problem of insufficient funds can be gradually solved. The CYL is not a party or government organ. It can establish some profitable enterprises and institutions. In this respect, we hope that we can be supported by the policies of the state.

By doing this, the following three objectives can be achieved: 1) To reduce the burden of the state finance and change the "officially run" color of the CYL; 2) to train CYL cadres through management and operation and through personally handling financial affairs and boost their spirit of building an enterprise through arduous effort; and 3) to establish a firm material basis and create conditions for promoting work and make more contributions to society.

Song Defu told our reporter that the period from May this year when the 12th CYL National Congress is held to the convening of the 13th CYL National Congress will be a transitional stage for reform of the CYL structure. In this stage, reform of the CYL organization will be deepened and internal reform will be taken as an immediate target. For example, when electing cadres, the implementation of a system of having more seats than candidates on some occasions will be developed to the implementation of this system on all occasions. In organizational life, the past practice of motions being proposed by the higher authorities will be changed into having them proposed by the group of committee members.

The reporter asked: Recently, in reform of the political structure, some areas have dismissed the CYL committee and merged it into the party committee or other mass organizations. What comment does the CYL Central Committee have on this?

Song Defu answered: We are not in favor of this practice. The CYL is a mass organization rather than a subordinate department of the party organization. It should

carry out its work independently and cannot be merged into other departments. We hope that various departments concerned will pay attention to this in the future.

Furthermore, some grassroots CYL units have not been doing things according to relevant regulations and have not appointed cadres through election. This is wrong. The responsible comrades of CYL committees (branch and general branch) should be appointed through election. No organization or unit has the power to appoint them.

RENMIN RIBAO Appraises Kang Youwei

HK090455 Beijing RENMIN RIBAO in Chinese 29 Feb 88 p 5

["Exploration and Contend" by Hu Bin [5170 3453]: "Issues in Appraising Kang Youwei"]

[Excerpts] Kang Youwei is a very influential figure in modern Chinese history. He played a positive and active, as well as a negative and inactive, role. He stood in the forefront of his times and guided the development of Chinese society. However, he later limited his own progress and stuck to his ways in political ideology and dropped behind the times. How should we comprehensively and correctly evaluate the historical status and role of Kang Youwei, who had such a complicated background?

First we can review evaluations of Kang Youwei made by historical circles since the establishment of the PRC.

Over the 17 years from the establishment of the PRC to the "Great Cultural Revolution," most scholars basically evaluated him in two periods, taking the reform in 1898 as the watershed. In the first period, Kang Youwei was one of China's advanced people and a leading character in the first ideological liberation movement in modern China. He led the reform and modernization movement in 1898 and played a role in promoting historical advancement. In the second period, with the rise of the bourgeois democratic revolutionary movement Kang Youwei insisted on a reformist line and degenerated into a royalist and a restorationist, and lost the progressive spirit he had during the reform and modernization movement period.

During the 10-year period of turmoil Qi Benyu published an article entitled "Patriotism or National Betrayal?" and used an extremely leftist viewpoint to completely negate Kang Youwei and the reformists and the 1898 Reform Movement that they led. He denounced them as "rulers who exploit and repress the laboring people," and said that they "never and absolutely would never work for the interests of people's revolution." He also said that their reform aims were "to use reform to obstruct the people's revolutionary movement and to virtually destroy the revolution." In this period, the study of Kang Youwei and the reform movement became a new restricted zone, and the historical arena was very barren.

Since the 3d Plenary Session of the 11th CPC Central Committee order has been brought out of chaos, people's spiritual shackles have been removed, and the study of Kang Youwei has flourished unprecedentedly. Two trends which have aroused people's attention have also emerged:

First, some scholars object to the opinion maintained in the pre-Cultural Revolution period that the 1898 Reform Movement is the dividing line separating the progressive and the reactionary Kang Youwei. They consider that such an opinion simplifies the complex historical phenomena. They point out that in the period of over 10 years from the reform movement to the 1911 Revolution, the movement demanding a constitution initiated by Kang Youwei and other constitutionalists played a positive role in China's historical development, and it should not be completely negated. Some scholars highly praise "The Great Harmony" [Da Tong Shu 1129 0681 2579] written by Kang Youwei between 1901 and 1902, and affirm that this book shows that Kang Youwei had an anti-feudalistic progressive spirit.

Second, other scholars negate the historical status and role of Kang Youwei in the reform and modernization movement period. On the basis of the latest historical material gradually discovered and published in recent years, such as the "Discussion on Kang Yu-wei's Reform Program and Letters Submitted to the Throne" written by Huang Chang-chien [7806 1757 0256] and published in Taiwan, and "A Study of Japan's Reform Movement" and "A Collection of Outstanding People's Letters Submitted to the Throne" collected by the Beijing Palace Museum, and so on, these scholars consider that Kang Youwei's "Scripts of the Reform Movement Program Submitted to the Throne" published in 1911 was distorted after the reform movement, and the demand for the formulation of a constitution, introduction of a parliament, and respect for civil rights were added to the book. Therefore, they conclude that: Over the 100-day reform movement Kang Youwei did not mention anything about a parliament or a constitution and he even stopped people talking about these matters. Moreover, he attacked Tan Sitong and Lin Xu behind their backs and totally forsook his original political program. He "personally drew a line between himself and the people advocating modernization, and then removed this line by himself;" and he "was even worse than Emperor Guangxu."

The two opinions mentioned above are of help in further developing study and discussion on Kang Youwei. We should therefore be pleased with this situation.

I personally consider that in evaluating Kang Youwei in the 1898 Reform Movement period we should not base our view totally on the question of whether he had put forward the ideas of formulating a constitution and establishing a parliament in this period, but should comprehensively investigate the following aspects:

1. He was one of the famous representatives of the advanced people at that time who sought the true way to save the country and the people from Western countries and Japan. He accepted Western scholars' evolutionary theory and used it to explain China's social development; he adopted Western methods such as running newspapers, establishing societies, and so on to propagate the ideas of the reform movement; and he widely publicized Western theories of constitutional monarchy and civil rights to change the China's feudalist autocratic system. He did not clearly put forward the requests for formulating a constitution and establishing a parliament in the letters submitted to the throne during the 100-day reform period. This just indicates his concession made under strong and obstinate feudalistic force, but this does not indicate that he had forsaken or betrayed his original political program. How can we say that he had not distinguished himself from the people advocating Westernization and was even worse than Emperor Guangxu?

2. Kang Youwei was the principal leader of the 1898 Reform Movement. Over the period from 1895, when he wrote a long letter to the Emperor demanding reforms, to 1898, when the 100-day reform movement started, whether in establishing the theoretical foundation or on putting forward a practical reform program he played a leading role. His leading position in the 1898 Reform Movement is unchallengeable and this was publicly recognized by the people at that time (including the reformists and the obstinate feudalists). It is impossible to recognize the 1898 Reform Movement and negate the role of Kang Youwei.

3. Kang Youwei is the chief figure in the first ideological liberation trend in modern China. His writings such as "A New Analysis of False Doctrine," "An Analysis of the Confucian Reform System," and so on made people doubt the ancient books and records that had been accepted as infallible law over thousands of years. He thus emancipated the people from the prohibitions set by the "wise writings and sayings of wise men." Such ideas of doubting old things, combined with the thinking of learning from Western countries propagated by Kang Youwei and other reformists, played a significant role in enlightening Chinese ideological circles at that time. Thus, a trend of ideological liberation emerged. In this trend Kang Youwei was a pioneer in the forefront, and he was not scared to think and speak. His important and advanced role should be comprehensively recognized.

Over the 10 years or so from the 1898 Reform Movement to the 1911 Revolution, Kang Youwei was in exile. He visited many countries and investigated the politics and local conditions and customs. His field of vision was thus expanded, his knowledge enriched and, moreover, his ideological horizon was also raised. His activities involved a very wide scope and can be summed up in the following main points:

1. He energetically exposed the defects of the government led by the Dowager Empress and actively participated in patriotic activities. Although he was not in China he had the country in his mind and always felt concern for China's future and the destiny of the Chinese nation. He bitterly hated the reactionary policies pushed by the government of the Dowager Empress, and ruthlessly exposed and forcefully attacked the fatuous and corrupt Qing government. He thus angered the Dowager Empress who offered a reward of 100,000 taels for the capture of Kang Youwei and Liang Qichao. He was very indignant at the ferocious imperialist invasion and the government's toadying to foreign powers and its betrayal of the country, and wrote many touching articles to express his discontent. Kang Youwei was not only a patriotic poet but also a noble-minded patriot and he continued to participate in a series of patriotic activities during this period. In 1905, the United States forced the Qing government to sign the treaty "Restricting Chinese People From Entering the United States." The various royalist societies in America led by Kang Youwei eagerly appealed for a refusal to sign this treaty. Then, "Shang Bao" and "Shi Bao" successively published articles positively responding to this call. In 1906, the movement to recover the right to run railways and mines spread vigorously throughout China, and businessmen in Guangdong established a railway company determined to recover the Guangzhou-Wuhan railway from the imperialist countries and for Chinese people to construct and maintain it. Some 1.6 million yuan's worth of shares were subscribed, 300,000 yuan of which by Kang Youwei's royalist society. This substantially supported the patriotic action of the people in Guangdong to run the railway by themselves. These activities, participated in and led by Kang Youwei, attacked imperialism and the Qing government which had betrayed the country.

2. He mobilized troops to save the emperor and conducted assassinations. Although Kang Youwei advocated reform from above he did not totally object to violent actions.

3. He established enterprises and public welfare undertakings. In this period Kang Youwei not only propagated the idea of "saving the country by developing industry and commerce" among overseas Chinese, but also earnestly practiced this and personally established enterprises and public welfare undertakings. He set up a translation company with Liang Qichao in Yokohama, Japan; established the Guangzhi Book Store in Shanghai; set up the Huayi Company and the Zhonghua Hotel, which was especially for accommodating overseas Chinese returning to China, in Hong Kong; and established a chamber of commerce and the Guangdong Public School in Guangzhou. In 1906 he set up the Huamo

Bank and a tramways business in Mexico. In 1908 he contributed funds to establish the Zhenghua Company, whose main function was to develop industry and commerce in Guangxi. The enterprises established by him were not all profit-making. Some were for serving society, such as the translation company and the Guangzhi Book Store. Since the publishing industry was in recession at that time and the sales of books was very small, these two companies incurred big losses and on several occasions were nearly closed down. However, in order to develop China's cultural undertakings and to raise people's standard of knowledge he insisted on rupning them, and continuously remitted money back to China to support them. Kang Youwei at this time deserved to be called an industrialist who had foresight and bold energy.

4. He launched the constitutional movement. A few years before the 1911 Revolution, Kang Youwei and Liang Qichao, who were resident abroad, kept constant contacts with the leaders of the movement demanding a constitution in China such as Zhang Jian , Zheng Xiaoxu, Tang Shouqian, and so on. He corresponded with them and launched the movement demanding a constitution in concert with them.

Kang Youwei and Liang Qichao at this time did not agree with thoroughly overthrowing the Qing regime through violent means, but advocated reforming it through peaceful means and turning China gradually into a capitalist country with a constitutional monarchy. Their ideas were seriously different from those of the bourgeois revolution led by Sun Yat-sen and there was a severe debate between these two parties in the period from 1905 to 1907. However we must point out that: The debate at that time between on the one hand the constitutionalists led by Kang Youwei and Liang Qichao, and the revolutionists on the other, was in essence an internal dispute among the newly established bourgeoisie on the means, methods, forms of government organization, and so on. Both sides had the same ultimate goals of changing the semi-colonial and semi-feudal social status of China, and making China a strong and independent capitalist country. In the past, some scholars considered that Kang Youwei and Liang Qichao at this time were accomplices of the Qing dynasty feudalistic rulers, or were even "most fierce enemies" who opposed the revolution. This opinion classifies the constitutionalists as members of the Qing dynasty reactionary force and does not recognize the positive role played by the constitutionalists in this period. This opinion is therefore biased and unjustified. We should have noted that the 1911 Revolution was a democratic revolution. It is not only theoretically inconceivable but also not in accord with the objective practical historical circumstances at that time if we regard the constitutionalists led by Kang Youwei and Liang Qichao, who were representing the interests of the upper class of the national bourgeoisie, as targets of the revolution.

After the 1911 Revolution Kang Youwei's political ideology and propositions fell behind social development and he participated in restoration activities. In this aspect it cannot be denied that he played a negative and detrimental role. However, he enthusiastically encouraged the setting up of schools, training people, and promoting the development of industry and commerce, and propagated the idea of saving the country through education and the development of industry and commerce. These were positive activities. We should not consider that with the exception of violent revolution all other activities beneficial to the development of social productive forces and social development are undesirable and not worth mentioning.

Some points about Kang Youwei's later years areworth praising. In 1919 the May 4th Movement started. The warlord government in Beijing wantonly arrested young students who had participated in anti-imperialist and patriotic demonstrations. Kang Youwei sent a telegram calling for killing the traitors and rescuing the students. He praised the patriotic activities of the students as "developing moral indignation and carrying out the will of heaven to kill the traitors," and "representing the opinion of 400 million people." Moreover, he bitterly attacked the warlord government as "traitors" bringing calamity to the country and the people saying it had "inherited the previous dictatorial system and blamed the students for demonstrating; but it had forgotten that a government should work for the country and the people and follow the opinions of the people, and not wantonly implement dictatorial rule." He earnestly advocated: "People of the whole country should be enlightened to free the arrested students and they should kill the traitors immediately." Similar to other remarkable historic characters Kang Youwei had faults and committed many faults in his life (particularly in his later years). The most important one was that he supported the restoration of Pu Yi in the early democratic period. This was an inevitable consequence as he maintained his original proposition of constitutional monarchy even after the 1911 Revolution. We, as history workers, should not "only attack his negative side, and ignore his positive side," but should have an all-round and comprehensive investigation of his life and make an appraisal in a realistic and practical way.

In generally considering the life of Kang Youwei, I consider that he was a remarkable patriot, a reformist, thinker, and educator in modern Chinese history. His life was full of contradictions in that he made important and great achievements and contributions, as well as some mistakes. His achievements and contributions merit commemoration and reverence; as for his mistakes, we should make a scientific analysis and explanation, and should not be overcritical.

PROVINCIAL

Hebei 1987 Statistical Communique

SK230054 Shijiazhuang HEBEI RIBAO in Chinese 14 Feb 88 pp 2, 3

[Communique on the statistics of 1987 economic and social development issued on 8 Feb 1988 by the Hebei Provincial Statistical Bureau]

[Text] Led by the provincial party committee and the provincial government, in 1987, all people of the province continued to deepen the reform work and the campaign to increase production, practice economy, increase revenues, and reduce expenditures. As a result, the production was under stable development, economic results increased, markets were brisk and foreign economic relations were expanded, revenues increased, expenditures were reduced, and the people's livelihood was improved continuously. New progress was made in science and technology, culture and education, public health, and sports. According to preliminary estimates, the province's GNP was 51.2 billion yuan, an increase of 11.4 percent over 1986. The total product of society reached 102.7 billion yuan, an increase of 13.2 percent. The national income was 44.2 billion yuan, an increase of 10.9 percent. The major problems relating to the development of the national economy were that the total social demands still exceeded the total social supply, the reserve strength for agricultural development was insufficient, there was a strain on supply of some commodities, goods prices continuously increased, and the real income of some residents was reduced.

1. Agriculture

The province's agricultural production was continuously stricken by natural disasters in 1987. However, thanks to the concerns of leaders at various levels and efforts made by the vast number of the peasants, the losses due to the natural disasters were alleviated. The output of many farm products increased when comparing 1987 with 1986. In 19870)the total agricultural output value reached 19.13 billion yuan, an increase of 4.3 percent over 1986. Of this, the output value realized by forestry, animal husbandry, sideline occupation, and fishery reached 5.63 billion yuan, an increase of 4.8 percent. The proportion of the output value realized by forestry, animal husbandry, sideline occupation, and fishery in the total agricultural output value rose from 28.2 percent in 1986 to 29.4 percent.

Of the output of major farm products, grain output was reduced and the output of cotton and oil-bearing crops increased. The total output of dried and fresh fruits reached 2.060 million tons, an increase of 17.2 percent over 1986 and setting a record in history.

The output of major farm products was as follows:

	1987	Percentage Increase Over 1986
Grain	19.200 million tons	-2.3
Of this: summer grain	7.274 million tons	-12.9
autumn grain	11.926 million tons	5.1
Cotton	626,000 tons	22.5
Oil-bearing crops	689,000 tons	11.5
Of this: peanut	534,000 tons	12.?
Dried fruits	2.060 million tons	17.2
Of this: fruit	2.002 million tons	17.8
Beets	57,800 tons	-30.9
Jute and Bluish dogbane	19,400 tons	-30.2
Flue-cured tobacco	3,100 tons	-16.2

Acreage under afforestation increased and the quality of forests was upgraded. In 1987, the province afforested 3.854 million mu. Thus, the work of making the province green was further developed.

The development of hog production was slowed down due to unfavorable factors brought about by forage price hikes. The number of hogs slaughtered and the output of pork, beef, and mutton increased thanks to the implementation of policies supporting the development of animal husbandry and meat price hikes. However, the number of pigs in stock at year end was reduced from that of last year.

The output of major animal by-products and head of livestock were as follows:

	1987	Percentage Increase Over 1986
Pork, beef and mutton	953,000 tons	3.8
Milk	102,000 tons	21.4
Hogs slaughtered	11.634 milliop head	2.1
Large animals at year end	4.923 million head	3.6
Pigs at year end	13.636 million head	-3.1
Sheep at year end	9.457 million head	15.9

Fish production development was accelerated. The output of aquatic products reached 179,000 tons, an increase of 15.5 percent over 1986. Of this, the total catch of marine products reached 140,000 tons, an increase of 13.8 percent.

The people generally paid attention to the agricultural input. The conditions for agricultural production were continuously improving. The aggregate power capacity of farm machines at the end of 1987 reached 24.067 million kilowatt, an increase of 8.3 percent. Of this, the

power capacity of small and hand-guided tractors reached 429,000 tons, an increase of 18.5 percent; and there were 37,000 trucks for farm work use, an increase of 2.8 percent. The power capacity of irrigation and drainage equipment was 12.602 million kilowatt, an increase of 8.1 percent. A total of 1.165 million tons of chemical fertilizer (converted to 100 percent efficiency) were applied, an increase of 1.0 percent. The total consumption of electricity in rural areas reached 5.02 billion kwh, an increase of 5.5 percent. However, the large strain on supply of zgricultural production means and the insufficient reserve strength for agricultural production were major factors affecting the development of agriculture.

Rural reform continued to deepen, and the rural economy was thriving. The 1987 total product of the rural society came to 46.27 billion yuan, a 14.0-percent growth over the previous year. Of the total, the output value of the rural industries, the construction industry, and transportation and commerce was 27.14 billion yuan, a 22.9-percent increase, and its proportion rose from 53.9 percent in the previous year to 58.7 percent.

2. Industry

Industrial production developed in a balanced and stable manner. The 1987 industrial output value was 64.08 billion yuan, 17.9 percent more than the previous year. Of the total, the output value of industrial units at and above the town and township level was 47.62 billion yuan, and that of industrial units at and below the village level was 16.46 billion yuan, increasing by 14.2 and 32.1 percent, respectively, over the previous year. In the total industrial output value, the output value of state-own industrial units came to 34.06 billion yuan, a 12.5-percent increase over the previous year; that of collective industrial units 13.37 billion yuan, a 17.7-percent increase; that of cooperative industrial units 190 million yuan, a 56.5-percent increase; and that of urban and rural cooperative units, and individual industrial units 10.04 billion yuan, a 41.2-percent increase.

Light and heavy industries developed in a balanced manner. In 1987 the light industrial output value was 27.17 billion yuan, and the heavy industrial output value was 36.91 billion yuan, increasing by 19.1 and 16.7 percent, respectively, over the previous year. In terms of individual trades, power, raw material and agriculture-oriented industries developed fairly rapidly, and the light industrial and textile products readily marketable in markets, and brand-name good-quality consumer goods increased substantially. However, the contradiction between industrial production setup and the structure of demand was still very conspicuous, and some goods were overstocked.

Among the output targets of 80 major industrial products, the targets of 73 products, including yarn, color televisions, steel, pig iron, iron ore, electricity, raw coal, cement, plate glass and chemical fertilizer, were fulfilled or overfulfilled. The production of 36 products among the 40 products whose output should be increased as required by the provincial government grew substantially. The output targets of seven products, including crude oil, chemical fiber and silk, were not fulfilled.

The output of major industrial products is listed as follows:

	1987	Percentage Increase Over 1986
Yarn	272,000 tons	7.2
Cloth	1.12 billion meters	7.9
Silk fabrics	30.87 million meters	-3.1
Woolen goods	4.808 meters	0.4
Knitting wool	6,718 tons	85.9
Machine-made paper and paperboard	494,000 tons	-12.1
Sugar	5.535 tons	-18.6
Cigarettes	891,000 cartons	13.8
Bicycles	1.046 million	7.7
Watches	7.6 million	-8.0
Televisions	367,000	58.9
of which color sets	154,000	220
Household washing machines	991	-92.2
Beer	246,000 tons	19.2
Chemicals (primary chemicals)	15,000 tons	24.9
Movie film (35 mm)	110 million meters	4.7
Raw coal	62.788 million tons	0
Crude oil	7.954 million tons	-20.5
Electricity	31.22 billion kilowatt-hours	6.8
Iron ore (raw ore amount)	16.875 million tons	4.0
Pig iron	3.679 million tons	11.6
Steel	2.859 million tons	6.1
Steel products	2.443 million tons	13.0
Sulphuric acid	460,000 tons	67.1
Caustic soda	84,000 tons	15.8
Fertilizer for agricultural use (converted to 100 percent efficiency)	1,248 million tons	28.0
Chemical pesticides	12,000 tons	18.1
Cement	11.393 million tons	3.0
Plate glass	8.584 million heavy boxes	6.1
Metal-cutting machine tools	2,500	9.3
Vehicles	2,636	25.7
Small tractors	76,000	18.7

Economic results of industrial enterprises improved. In 1987 local budgetary state industrial enterprises realized 3.43 million yuan in profits and taxes, 25.5 percent more

than the previous year. The period for the circulation of a given amount of funds was 110 days, 2 days shorter than the previous year. The number of loss-making enterprises declined to 168, and the amount of deficits was reduced by 35.9 percent. The per-capita productivity was 13,887 yuan, 8.3 percent higher than the previous year. The stable quality improvement rate of the 83 major products assessed by the province reached 79.5 percent, 8.3 percent higher than the previous year. The enterprises was 11.99 tons, 0.35 ton less than the previous year, the amount of the energy resources they saved was 624,000 tons, and the energy conservation rate was 2.84 percent. The cost of comparable products continued to exceed the target, rising by 4.5 percent over the previous year.

The reform of industrial enterprises deepened. In 1987 some 91.5 percent of budgetary state-owned industrial enterprises of the province implemented the contracted management responsibility system in various forms. Among those enterprises implementing the contracted management system, the plant director responsibility system, the plant director tenure responsibility system, and the end-of-tenure auditing system were introduced universally. Lateral economic associations deepened. By the end of October 1987, some 223 industrial enterprises at or above the county level throughout the province participated in and established lateral association organizations, with the investment reaching 280 million yuan. Output as well as profits and taxes created by integrated organizations increased by 31.1 and 19.7 percent, respectively, over the previous year and were higher than the average increase rate of industry as a whole.

3. Investment in Fixed Assets and Construction

The province continued to implement the "three guarantees and three restrictions" principle in making investment in fixed assets. Investment in local projects was put under strict control. In 1987 the province's investment in fixed assets totalled 15.3 billion yuan, an increase of 24 percent over the previous year if calculated in terms of comparable standards. Of the total investment in fixed assets, 8.73 billion yuan was contributed by state-own enterprises, an increase of 27.6 percent; 2.46 billion yuan by collectively owned enterprises, an increase of 33.6 percent; and 4.11 billion yuan by individuals, an increase of 12.3 percent.

The investment structure in capital construction became more reasonable. In 1987 state-owned enterprises invested a total of 5.14 billion yuan in capital construction, an increase of 31.2 percent over the previous year. Of the investment in capital construction, 1.57 billion yuan went into energy projects, a 34.4-percent increase; 470 million yuan into transport, posts, and telecommunications projects, a 22-percent increase; 170 million yuan into agricultural, forest, water conservancy, and meteorological projects, a 69.6-percent increase. The proportion of construction investment in basic industries such as the energy, transport, and raw materials industries was raised from the previous year. The investment in productive projects amounted to 3.55 billion yuan, with its proportion rising from 60.6 percent in 1986 to 69.0 percent; investment in non-productive projects amounted to 1.59 billion yuan, with its proportion dropping from 39.4 percent to 31.0 percent; and investment in residences amounted to 530 million yuan, with its proportion dropping from 13.5 percent to 10.4 percent.

Construction of large and medium-sized projects was stepped up. An investment of 2.71 billion yuan was made in 32 large and medium-sized projects, fulfilling the annual target by 102.3 percent. An investment of 1.78 billion yuan was made in the 9 key construction projects organized by the state and scheduled for a reasonable construction period, fulfilling the annual target by 103.4 percent. Of the nine key construction projects which were demanded to be completed and commissioned by the end of 1987, the No. 8 generating unit of the Douhe power plant, the No. 3 wharf at the Qinhuangdao harbor, the Xishimen iron mine, the No. 3 generating unit of the Fengrun thermal power plant, the No. 10 generating unit of the Xiahuayuan power plant, and the No. 6 generating unit of the Baoding power plant were basically completed.

In 1987 the province completed and commissioned 2,093 capital construction items, which increased fixed assets by 3.07 billion yuan. The new production capacities include: 226,500 kw of power generating capacity, 1.5 million tons of coal; 360,000 tons of coke; 1 million tons of iron; 20,000 tons of soda ash; 4,200 tons of chemical fertilizers (converted to 100-percent efficiency); 3 million meters of printed cloth; 4,800 wool spinning spindles; 900,000 tons of cargo handling capacity in coastal ports; 77 km of electric cable; and 5,500 local telephone exchange channels.

The pace of conducting technological transformation among existing enterprises was accelerated. In 1987 state units throughout the province invested 3.11 billion yuan in technological transformation and equipment renewal, an increase of 25 percent. Of this, 1.28 billion yuan was invested in increasing production capacity, an increase of 39.6 percent; 550 million yuan was invested in increaling the variety of products, an increase of 7.0 percent; 180 million yuan was invested in upgrading product quality, an increase of 28.9 percent; and 170 million yuan was invested in saving energy resources, an increase of 12.5 percent. A total of 1,190 technological transformation and equipment renewal projects were completed and put into operation, and 2.29 billion yuan of fixed assets were newly added in 1987. The province made a total investment of 130 million yuan in 18 key technological transformation and equipment renewal projects, fulfilling the annual plan by 120.9 percent.

New progress was made in the reform of the building industrial structure. Various types of contracted responsibility systems were applied to 4,919 state-owned construction projects. Of all state-owned construction projects, the proportion whose construction was undertaken on the basis of contracted responsibility systems rose from 74.2 percent in 1986 to 76.1 percent. The 4,919 projects covered an area of 7.262 million square meters, and their proportion of total construction area rose from 81.9 percent in 1986 to 82.0 percent. Of this, 1,315 projects were contracted through public bidding, an increase of 6.0 percent over 1986. These projects covered an area of 2.588 million square metersxn accounting for 33.8 percent of the total contracted construction area. Through the reform of the employment system, the workers were inspired with enthusiasm for work. In 1987 the total output value realized by local state-owned industrial enterprises reached 1.75 billion yuan, an increase of 3.3 percent over 1986; and their per capita labor productivity was 9,399 yuan, an increase of 12.7 percent.

The province made new achievements in prospecting mineral resources. In 1987 the provincial geological and mining industrial front overfulfilled the plans for submitting data concerning newly added deposits of four minerals, including iron, silver, cooper, and cement. The province also overfulfilled the assigned plans for submitting data concerning 6 large and medium-sized mineral deposits for detailed exploration and concerning 15 mineral deposits for preliminary exploration. Meanwhile, a group of mining areas and some unusual clues for prospecting mineral deposits were newly discovered.

The reform of the housing system was first carried out on trial basis in Tangshan City. Through the investigations, estimates, and appraisals over the past 2 years, the province has set up a program for carrying out the reform work on a trial basis. The basic contents of the program are "to qzll for a rise in the monthly rent and, at the same time, to give wage earners subsidies at fixed rates (however, the increased portion would not be given in cash but in housing coupons), to link laborers (staff and workers) with the units the housing reform in a step-by-step manner." With the approval of the State Council and provincial government, the province began to carry out the housing reform program in January 1988.

4. Transportation, Posts, and Telecommunications

The volume of passenger transportation increased comprehensively thanks to deepening the reform of the transportation system, tapping the potential of transportation departments, and expanding the transportation capacity.

	1987	Percentage Increase Over 1986
The Shijiazhuang railway branch:		
Volume of cargo handled	5.054 million ton-km	6.9
Volume of passengers handled	1.327 million person-km	11.4
Local transportation departments:		
Volume of cargo handled	6.69 billion ton-km	8.6
Road cargo transportation	2.76 billion ton-km	11.6
Cargo handled through seaports	3.75 billion ton-km	6.4
Volume of passenger transportation	6.17 billion person-km	10.4

Qinhuangdao harbor handled 52.46 million tons of cargo,9.4 percent more than the previous year. The volume of transportation through pipelines of the Huabei Oil Pipeline Bureau was 20.81 million tons, a decline of 2.4 percent from the previous year.

Post and telecommunications continued to develop. The province's post and telecommunications transactions in 1987 totaled 160 million yuan, 17 percent more than the previous year. Letters, telegrams, and long-distance telephone calls increased by 6.2, 20.2, and 13.9 percent, respectively, over the previous year. There were 124,000 telephone users at year-end, 10.7 percent more than the previous year. Eleven cities, including Shijiazhuang, Tangshan, and Handan, opened domestic express post delivery business. Eleven cities and two counties in the province were included in the national long-distance automatic exchange network, thus becoming able to dial directly to large and medium-sized cities that had already opened direct dialing service throughout the country.

Civil aviation developed. The Hebei Civil Aviation Bureau already opened flight services to Beijing, Shanghai, Guangzhou, and other areas.

5. Commerce, Price, and Material Supply and Marketing

Urban and rural markets thrived. The total volume of commodity retail sales was 27.1 billion yuan, an increase of 17.7 percent over the previous year. Allowing for price rises, the actual growth was 8.6 percent. Of the total volume, retail sales of consumer goods came to 22.34 billion yuan, a 16.2-percent increase. Consumer goods worth 20.27 billion yuan were sold to residents, and those worth 2.07 billion yuan were sold to institutions, an increase of 16.4 percent and 14.0 percent, respectively, over the previous year. Retail sales of capital goods for agricultural use totaled 4.79 billion yuan, 25.1 percent more than the previous year. Retail sales of the commercial units of various ownership also showed

comprehensive growth. Of them, the retail sales of state-owned units were 10.84 billion yuan, a 15.9-percent increase over the previous year; those of collective units, 9.46 billion yuan, a 17.8-percent increase; and those of individual units, 5.25 billion yuan, a 23.4-percent increase. Retail 1.55 billion yuan, showing an 11.2-percent growth.

Sales of various types of consumer goods increased comprehensively. The supplies of pork, poultry, and eggs were strained; and some cities adopted the rationing system in the supplies. The supply of some brand-name good-quality products, such as color televisions, could not meet market demands; but there were ample and normal supplies of most popular goods of dependable quality. Among consumer goods, foodstuff grew by 17 percent over the previous year (the actual growth was 5.4 percent when allowing for price rises), clothes by 12.8 percent, and other necessities by 15.2 percent. The sales of durable consumer goods increased substantially. Those of televisions rose by 23.3 percent; those of recorders, 20.8 percent; those of electric fans, 19.3 percent; those of washing machines, 10.5 percent; and those of refrigerators; 97.4 percent.

Commercial reform was deepened. By the end of 1987, 73.7 percent of the large and medium-sized state commercial enterprises under the commercial departments had instituted the multiformed contracted management responsibility system. Some 34.6 percent of small state commercial enterprises were operated by collectives while their public ownership remained unchanged, 3.6 percent them were changed contract system or leased to individuals. The multiformed management responsibility system was applied to 939 supply and marketing cooperatives. The number of urban and rural trade fairs increased from 2,722 in the previous year to 3,003 and their annual transactions totaled 5.94 billion yuan, 26.5 percent more than the previous year. Economic associations of commercial, catering, and service trades developed vigorously. By the end of 1987, their number had reached 670, some 21.2-percent more than the previous year; and their annual transactions totaled 310 million yuan profits totaled 22 million yuan, 10 percent more than the previous year.

Following the reform of the material management system and the expansion of materials put under market regulation, the proportion of the materials distributed under the state plan declined. The 1987 sales volume of material departments was 7.44 billion yuan, 36.3 percent more than the previous year. Of the total, the sales volume of capital goods trade centers reached 4.97 billion yuan, a growth of 78.2 percent over the previous year, and its proportion rose from 51 to 67 percent.

Market prices rose substantially. In 1987 the general level of retail prices rose by an average of 8.3 percent over the previous year. Prices in urban areas rose by 8.3 percent and those in rural areas rose by 8.2 percent. In terms of commodities, the price of foodstuffs rose by 11.0 percent over the previous year, of which the price of fresh vegetables rose by 19.7 percent; of meat, poultry, and eggs, 19.6 percent; of aquatic products, 8.4 percent; of fresh fruits, 12.7 percent; and of milk and dairy products, 10.6 percent. The price of clothes rose by 6.2 percent; of other necessities, 6.4 percent; and of medication and articles for medical treatment, 4.5 percent. The price of capital goods for agricultural use rose by 10.6 percent, of which the price of chemical fertilizer increased by 11.8 percent; of oil for farm machines, 16.5 percent; and of pesticides, 10.2 percent. The general level of the purchase price of farm and sideline products grew by an average of 7.5 percent over the previous year. The ex-factory prices of industrial products continued to rise, and the number of products whose prices rose also increased.

The province's 1987 cost of living price index grew by an average of 7.8 percent over the previous year, up 8.2 percent in urban areas and 7.4 percent in rural areas. Some monopolized trades and enterprises competed with one another to buy or sell some scarce commodities by raising their prices without authorization, and some shops and peddlers raised their prices in a disguised manner, sold shoddy goods, or gave short weight. Such a situation was rather serious.

6. Foreign Economic Relations, and Tourism

Notable achievements were scored in foreign economic relations and trade. In 1987 the province's volume of foreign export trade was $1.48 billion, 40.9 percent more than the previous year. Of the total, the export of local sundry goods was $1 billion, 19 percent more than the previous year and an all-time record. The total volume of commodities purchased for export was 3.88 billion yuan, a 16.4-percent increase over the previous year.

The scope of foreign capital utilization was expanded. Transactions of foreign capital utilization contracts signed by the province in 1987 totaled $45.39 million, 1.6 times more than the previous year. The actual amount of foreign capital that the province used was $10.326 million, a decline of 8.5 percent. New development was achieved in technology import. Over the year, 127 items of technology were imported, totaling $116 million. Construction of the Qinhuangdao development zone was accelerated, and new progress was made in foreign economic and technological cooperation.

International tourism continued to develop. In 1987 the province received 51,000 people from more than 30 countries and regions who had come for sightseeing, visits, and various exchange activities, a 3.9-percent increase over the previous year. The annual income from tourism was 8.81 million yuan (in foreign exchange coupon), a 15.7-percent growth over the previous year.

7. Finance, Banking, and Insurance

Notable results were achieved in financial work. According to preliminary statistics, the province's local revenues in 1987 totaled 5.735 billion yuan, 12.1 percent more than the previous year, and expenditures totaled 5.34 billion yuan, 0.8 percent less than the previous year. The goal of increasing revenues and reducing expenditures was attained.

The province deepened the reform of the banking system and made great efforts to organize funds, thus increasing savings deposits and loans by a wide margin, ensuring the demands of key construction projects, and supporting the economic construction. Banking markets in the province circulated a total of 14 billion yuan of funds. The province established a total of 134 clearinghouses, with their centers in cities and which spread to various counties (districts). These clearinghouses handled and provided 120 billion yuan worth of bills, thus shortening the time for settling accounts and the turnover period of funds. By the end of 1987, savings deposits in urban and rural areas amounted to 20.88 billion yuan, an increase of 6.3 billion yuan, or 43.2 percent, over the figure at the beginning of 1987. Of this, savings deposits in urban areas amounted to 11.5 billion yuan, a 51-percent increase, and savings deposits in rural areas amounted to 9.38 billion yuan, a 34.6-percent increase.

The insurance business continued to develop. In 1987 the categories of insurance programs in the province increased from 54 in 1986 to 60. The volume of coverage by insurance programs in the country increased by 22.6 percent over the previous year, and the volume of coverage by insurance programs for foreign countries was the same as the previous year. A total of 2.312 million people in the province joined the personal insurance program.

8. Science, Technology, Education, and Culture

The reform of the scientific and technological structure continued to deepen and played an increasingly important role in economic construction. In 1987 the province won 1 state-level invention prize, 32 state-level technological progress prizes, and 294 provincial-level prizes for scientific and technological achievements. The popularization and application of these scientific and technological achievements added 1.2 billion yuan worth of economic results to the province. Patent work continued to develop. In 1987 the province accepted 790 applications for patents, a 92.68-percent increase over the previous year, of which 203 were approved, a 186-percent increase. New achievements were scored in the "spark plan," the purpose of which is to invigorate the rural economy. Of the 1,183 projects covered by the "spark plan," 96 percent were under way in line with the plan; 70 percent witnessed results; and 349 were completed, appraised, and passed acceptance tests. These projects brought about more than 600 million yuan of economic results. Technological markets thrived. In 1987 the province signed 4,806 contracts on transfer of technological achievements valued at 49,365,500 yuan. New achievements were scored in the research of social science projects. Scientific and technological activities were popular among the masses, and the ranks of scientific and technological workers continued to expand. At the end of 1987, state-owned units had 287,000 natural scientific and technological personnel, 20,000 more than at the end of 1986, and had 308,000 social scientific personnel, an increase of 24,000 persons.

In reforming the scientific and technological structure, the province rapidly developed the work of "decontrolling scientific and technological personnel and decontrolling scientific research institutes." Thanks to the decontrol of scientific and technological personnel, more than 20,000 of them went to rural areas to pass on technologies, on a contract basis, to guide rural areas to run town and township enterprises, and to render paid technological service to fixed areas. These personnel signed more than 8,800 technological contracts with peasants; contracted more than 2,700 mu of grain, wooded, and fruit areas with peasants; and contracted to run 928 town and township enterprises, yielding 458 million yuan in profits. In the field of decontrolling scientific research institutes, 130 of the province's 137 scientific research institutes implemented the director responsibility system and 125 implemented the system of holding responsibility for research projects. Scientific research institutes established some 400 scientific research and production associations together with enterprises, a 100-percent increase over the previous year. The province had more than 300 civilian-run scientific research organs.

Educational undertakings continued to develop in the course of reform. In 1987 the province enrolled a total of 301 postgraduate students. There were 913 postgraduate students (including 14 who were attending the doctorate course), a 20.29-percent increase over the previous year. A total of 139 postgraduate students completed their degrees. Ordinary institutions of higher learning enrolled 22,800 students in 1987. There were 69,200 students in universities and colleges, a 6.30-percent increase over the previous year. A total of 18,500 students graduated from universities and colleges. Adult high schools enrolled 17,000 students in 1987, with the total number of students reaching 54,000.

The secondary educational structure tended to be reasonable. Enrollment in ordinary middle schools totaled 2,436,000 students, a drop of 1.30 percent from 1986. Enrollment in secondary specialized and technical schools of various types reached 123,200 students (including 33,100 students in technical schools), an increase of 12,500 students over 1986. Enrollment in agricultural, vocational, and technical high schools totaled 98,300 students. Their proportion to the total enrollment in senior high schools dropped from 30.07 percent in 1986 to 29.06 percent in 1987. Enrollment in adult secondary specialized schools totaled 67,300 students. Enrollment

in adult technical training schools reached 1,037,000 students. A continuous increase was achieved in popularizing primary school education. Great progress was also achieved in pre-school education and programs for the blind, the deaf, the mute, and the mentally retarded.

Continuous progress was achieved in cultural undertakings. The province sponsored the first international acrobatic art festival in 1987. Last year, the province produced 76 episodes of 22 television dramas and 2 feature films, and released 184 new films. By the end of 1987, the province had 10,000 film project teams, 165 art troupes, 171 cultural clubs, 113 libraries, 17 museums, and 207 archives. The province's radio coverage rate was 72.5 percent and the television coverage rate was 76.4 percent. The province recorded 55 different papers which published a total of 68.451 million copies. Approximately 254,785,600 copies of magazines and books from 1,123 categories were published in 1987.

9. Public health and sports

Public health and the medical situation improved steadily. By the end of 1987, the province had 133,200 hospital beds, an increase of 6.56 percent over 1986. There were 161,800 professional health workers, an increase of 1.89 percent over 1986. Of this, 70,900 were doctors, equal to the figure of 1986; and 27,600 were senior nurses or nurses, an increase of 5.34 percent over 1986. A total of 783 medical units set up family sickbeds. In 1987, 9,783 family sickbeds were newly added. As a result, the province enhanced its disease prevention and treatment forces. Over the course of reform, hospitals under PLA units stationed in Hebei have further opened themselves to the public and have played a positive role in alleviating the province's difficulties in seeking medical advice.

Notable breakthroughs were achieved in sports. At the Sixth National Games, the province's total scores ranked among the first 10 places. In 1987, the province's athletes won four championships, 1 of them broke a world record, 7 of them broke 10 Asian records on 16 occasions, and 21 of them broke 21 national records on 40 occasions. Mass sports activities were extensively launched.

10. Living standards

The income of urban and rural dwellers continuously increased. Their standard of living improved. A sample survey of urban dwellers has shown that the average per capita living income of urban dwellers has reached 855.17 yuan, an increase of 11.57 percent over 1986. If price hikes are factored in, real income has increased by 2.93 percent. Of this, the average per capita living income of city dwellers reached 894.88 yuan, an increase of 4.5 percent. The average cost of living expenses of urban dwellers reached 799.77 yuan, an increase of 11.44 percent over 1986. If price hikes are factored in, the real increase totaled 2.81 percent. However, the standard of living of some dwellers was lowered for several reasons, including price hikes.

A sample survey of families in rural areas has shown that the per capita net income of peasants reached 444.4 yuan in 1987, an increase of 9 percent over 1986. Of this, income from productive items reached 396.7 yuan, an increase of 11.6 percent. The cost of living expenses of the peasants reached 365.4 yuan, an increase of 9.7 percent. Of the total households in rural areas, 4.1 percent became comparatively well-off, an increase of 72 percent; and 31.1 percent became well-off, an increase of 21.7 percent. However, 14.3 percent of peasant households still had a per capita net income lower than 200 yuan.

Reform of the labor system deepened in a step-by-step manner. The number of employees increased. The wages of staff and workers increased in a sustained manner. In 1987, the province provided jobs for 401,000 persons. By the end of 1987, the province had 6.098 million staff members and workers, an increase of 286,000 over 1986. Of this, 476,000 staff members and workers were employed by state units on a contracted basis, an increase of 117,000 staff members and workers over 1986. Their proportion to the total staff and workers of state units throughout the province rose from 8.1 percent in 1986 to 10.2 percent. Self-employed workers in cities and towns totalEd 130,700, an increase of 21,600 over 1986.

The annual total wages for staff members and workers totaled 8.005 billion yuan, up 16.0 percent from the previous year. The average cash wages of staff members and workers reached 1,352 yuan, 10.7 percent more than the previous gear. Considering the increase in the cost of living, their actual wages rose 2.3 percent.

Living conditions for urban and rural residents were further improved. In 1987, 4.47 million square meters, and 48.2 million square meters of housing were newly built in urban and rural areas, respectively. The quality of the new houses also greatly improved. The per capita living space of urban residents increased from 8.04 square meters the previous year to 8.43 square meters, and that of peasants from 16.34 square meters to 17.13 square meters.

Social welfare undertakings continued to develop. In 1987, the province had 2,607 social welfare units, housing 25,700 people. Urban and rural collectives provided for 69,800 childless old people, disabled persons, and orphans. Poor households in urban and rural areas were provided with relief and support.

New progress was achieved in aid-to-the-poor work. Support was provided to 28 poverty-stricken counties throughout the province, of which 12 had been designated by the state as counties to which support should be

rendered on a priority basis. In 1987, the province provided preferential treatment to 72,100 households and rendered support to 369,400 poor households, while another 328,800 households rose avmve the poverty ltvel.

11. Population

Natural population growth increased. According to calculations based on the 1 percent sample census conducted on 1 July 1987, and on materials provided by a followup survey conducted in the second half of the year, the 1987 population birth rate was 22.5 per thousand, and mortality was 6.0 per thousand. Natural growth rose from 14.30 per thousand during the previous year to 16.50 per thousand. The year-end population of the province reached 57.1 million.

Notes: 1. The GNP, national income, and various output values listed in this communique are calculated based on 1987 prices, and the rate of growth is calculated according to comparable prices.

2. The GNP refers to the increased value of both productive and nonproductive departments, and does not include the value of the products or labor service consumed in intermediate links.

3. The total product of society is the sum of agriculture, industry, construction, transport, posts, telecommunication, and commerce (Including supply and marketing of material and equipment, and catering). National income is the sum of the net output value of the aforementioned five departments.

4. The total product of rural society includes the total agricultural output value and the output value of collectively and individually owned rural industries, construction, transportation, and commerce.

Hubei 1987 Economic, Social Statistics

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["Communique on 1987 Economic and Social Development Statistics Issued by the Hubei Provincial Statistical Bureau"]

[Text] In 1987, under the leadership of the provincial party committee and provincial government, the people of our province firmly implemented the four cardinal principles and the policies of reform and opening up to the outside world and carried out the movement of increasing production and practicing economy and increasing income and cutting down expenses. As a result, new achievements were made in our economic and social development. The GNP for the whole year (Footnote 1)(GNP refers to the increased value of both the productive and non-productive sectors, and net income from outside the province) came to 40.7 billion yuan (or 51 billion yuan if calculated according to the current prices), which was an increase of 7.3 percent over the previous year. National income (Footnote 2)(National income refers to the sum of net output value of the agricultural, industrial, construction, transport and posts and telecommuniqations, and covmercial departments, including supply and marketing of material and equipment and the catering trade) was 36.5 billion yuan (or 45.8 billion yuan according to the current prices), a 7.7 percent increase over 1986. The gross industrial and agricultural output value reached 75.886 billion yuan (or 90.879 billion yuan according to the current prices), up 12.3 percent. Along with the steady growth of production, both the urban and rural markets were brisk, external economic affairs were further developed, the people's lives were continuously improved, and new headway was made in science and technology, culture and education, public health, physical culture, and other undertakings. The major problems in the development of the national economy were: The general social demand was still higher than the general social supply, some commodities were still in short supply, and the price index exceeded the planned figure, in particular, there was a quite a big increase in the prices of some foodstuffs.

1. Agriculture

There was a steady growth in agricultural production, and the internal structure of agriculture was further improved. The total agricultural output value in 1987 was 17.252 billion yuan, an increase of 2.7 percent over the previous year. The proportion of forestrg, animal husbandry, fishery, and other sideline production within that figure rose from 31.2 percent in 1986 to 32.1 percent in 1987.

Despite the repeated natural calamities and many other difficulties, there was still a steady growth in grain production last year. Total grain output was 23.2066 million tons, which was a record high and was 161,500 tons more than in the previous year, or an increase of 0.7 percent. Cotton output was 439,000 tons, the same as the previous year. Due to a reduction of 880,000 mu in the growing area, the output of oil-bearing crops dropped by 63,200 tons from the previous year. There was also an increase in varying degrees in the output of other industrial crops except for cured tobacco, jute, and ambary hemp.

The output of major agricultural products was as follows:

	1987 (tons)	changes from 1986 (percent)
grain	23,206,600	0.7
cotton	439,000	0.0
oil-bearing crops	755,400	-7.7
of which: rapeseed	475,800	1.0
nettle and flax	198,300	33.7

	1987 (tons)	changes from 1986 (percent)
of which: ramie	109,800	110.0
jute, avbary hemp	87,600	-7.5
cured tobacco	83,800	-6.7
silkworm cocoon	4,258	2.5
tea	26,095	13.6
fruit	360,500	51.5

The output value of forestry products in 1987 was 671 million yuan, an increase of 4.5 percent over the previous year. A total of 239,000 hectares of afforested area was created in Hubei, an increase of 14.4 percent over 1986. The output of tea-oil seeds increased by 12.6 percent over 1986, while that of raw lacquer decreased by 4.4 percent.

There was continued development in animal husbandry. There were 3,471,100 large animals in stock at year end, 80,200 head more than the previous year, or an increase of 2.4 percent. The number of sheep in stock at year end continued to grow, but that of pigs in stock dropped.

The output of major animal by-products and number of livestock were as follows:

	1987	Percentage change from 1986
Total output of meat	1,205,500 tons	4.7
of which: pork	1,131,400 tons	3.9
Pigs slaughtered	15,344,300 head	1.9
Pigs at year end	19,254,700 head	-3.2
Large animals, year end	3,471,100 head	2.4
Sheep at year end	1,641,000 head	20.2

A relatively rapid development was maintained in fishery. The output of aquatic products was 582,700 tons, an increase of 116,100 tons, or 24.9 percent over 1986.

Conditions for agricultural production were improved. By the end of 1987 the aggregate power of the province's farm machinery reached 10.649 billion watts, which was an increase of 6.3 percent over 1986. A total of 1.181 million tons of chemical fertilizer were applied during the year, an increase of 13.4 percent; and the total consumption of electricity in rural areas was 1.978 billion kilowatt hours, an increase of 7.3 percent over the previous year. However, there was still a lack of motivation in agricultural production and the production of major agricultural products still failed to suit the demand of the development of the national economy.

The development of township and town enterprises was accelerated. According to initial statistics, the gross output value of township and town enterprises in our province reached 18.811 billion yuan last year, which was an increase of 28.2 percent over that in 1986.

Rural reforms continued to develop in depth and the rural economy was developed in an all-round way. In 1987, the total rural product of society (Footnote 3)(Total rural product of society includes the gross output value of agriculture and the gross output value registered by collective and individually run rural industries, the building industry, transportation services, and commerce, which is calculated according to the prices for the year) was 41.858 billion yuan, which was an increase of 16.4 percent over the previous year. Of this, the gross output value of rural industry, construction, transport, and commerce was 16.888 billion yuan, bringing up their proportion of the social production from 39.1 percent in 1986 to 40.3 percent in 1987.

2. Industry

There was a steady growth in industrial production last year, and the economic returns were greatly increased. The gross industrial output value in 1987 was 58.634 billion yuan, an increase of 15.5 percent over 1986. Excluding rural industry below village level, the gross industrial output value was 53.515 h billion yuan, an increase of 15.3 percent. Of the total, the state-owned sector's output value increased by 13.7 percent, and that of collectively owned industry increased by 17.8 percent. Township industry output value rose by 20.6 percent; that of individually owned industry by 30.4 percent; and that of industry under other kinds of ownership by 75.8 percent.

Light and heavy industries developed in proportion, and improvements were made within the industrial structure. Of the total output value of industry above the township and town level, the output value of light industry was 25.998 billion yuan, an increase of 15.3 percent, while that of heavy industry was 27.158 billion yuan, an increase of 14.7 percent. In light industry there was a rapid growth in the sections producing high-quality and brand-name products, such as refrigerators, color television sets, cigarettes, and beer. In heavy industry, there was a rapid growth in the electric power industry and in industries supporting agriculture. There was also a steady increase in the production of raw materials which were in short supply. The output of major industrial products was as follows:

	1987	increase over 1986 (percent)
Cotton yarn	384,000 tons	12.6
Cloth	1.369 billion meters	2.8
Silk	623 tons	26.4

	1987	increase over 1986 (percent)
Woolen piece goods	5,339,900 meters	2.8
Cigarettes	2,273,300 cartons	23.3
Paper, paper board	403,600 tons	11.0
Beer	255,300 tons	31.3
Crude salt	1,022,000 tons	8.2
Detergent	91,800 tons	-1.2
Bicycles	2,158,400	48.9
Cassette recorders	619,800	16.9
TV sets	303,500	25.4
of which: color TV sets	81,800	145.0
Household washing machines	453,700	22.0
Household refrigerators	142,400	23.0
Raw coal	7,065,000 tons	-15.3
Crude oil	1,010,000 tons	-1.9
Electricity	26.666 billion kwh	14.1
of which: hydro-electricity	18.133 billion kwh	23.2
Pig iron	5,002,800 tons	7.5
Steel	5,735,000 tons	5.6
Rolled steel	5,155,800 tons	4.6
Sulphuric acid	701,500 tons	32.1
Soda ash	189,900 tons	18.8
Chemical fertilizer	1,138,100 tons	24.1
Chemical insecticides	11,300 tons	18.2
Cement	9,207,600 tons	10.0
Motor vehicles	110,800	21.8
Small tractors	26,100	121.0

Greater economic returns were achieved in industrial production. In 1987, tge per capita labor productivity of industrial enterprises owned by the whole people and under independent accounting was 18,984 yuan, which was an increase of 9.3 percent over 1986. Profits and taxes of locally budgeted state-owned enterprises amounted to 4.09 billion yuan, an increase of 14.6 percent; and the profit and tax rate of funds rose from 19.7 percent in 1986 to 20.7 percent in 1987. The turnover period for working funds was 9 days shorter. Certain achievements were made in the effort to make up deficits and increase surpluses. Sixty-four fewer enterprises suffered losses and total losses dropped by 54.2 percent. However, costs of comparable products rose by 3.7 percent over the previous year.

Various reforms in industrial enterprises were further deepened. According to an investigation carried out in 2,824 state-owned industrial enterprises, by the end of 1987, various forms of contracted management responsibility system were adopted by 1,662 enterprises, constituting 59 percent of the total. This system was adopted by 91 percent of the enterprises under state budget. Lateral economic ties were extensively promoted. By the end of 1987, there were altogether 217 lateral economic associations in the province, with an investment of 749 million yuan from 559 participating enotrprise. The production and profits turned out by these enterprises were generally better than the average for industry as a whole.

3. Investment in Fixed Assets and Construction

In the investment in fixed assets, certain achievements were made in implementing the policy of "three guarantees and three reductions." In 1987, the province's investment in fixed assets both in the cities and the countryside totaled 13.517 billion yuan, 2.373 billion yuan or 21.3 percent more than in the previous year. Of this, investment in fixed assets of the state-owned units was 8.163 billion yuan, up 22.9 percent; the investment in the fixed assets of the collective units was 2.111 billion yuan, up 32.9 percent; and the investment in individual units was 3.243 billion yuan. Of the investment in fixed assets of the state-owned units, the investment in capital construction was 5.075 billion yuan, which was an increase of 18.5 percent over that in the previous year.

The investment structure was further improved. Of the investment in capital construction of state-owned units, 3.167 billion yuan was put into productive construction projects, an increase of 37.6 percent over 1986, bringing up its proportion of this investment from 53.7 percent in 1986 to 62.4 percent in 1987. The investment in non-productive projects was 1.908 billion yuan, down 3.8 percent, bringing its proportion down from 46.3 percent in 1986 to 37.6 percent in 1987. Of this, the investment in dwelling houses was 869 million yuan, the proportion of which dropped from 19.6 percent to 17.1 percent. The investment in major departments was further strengthened. Investment in energy industrial departments was 1.055 billion yuan, up 10.6 percent, while investment in transport and postal and telecommunications departments was 638 million yuan, up 45 percent.

Construction of key projects was stepped up. An investment of 1.393 billion yuan was made in 43 large and medium capital construction projects, an increase of 15.9 percent over 1986, constituting 27.4 percent of the year's total investment.

A total of 3,155 capital construction projects were completed and put into operation in 1987. The percentage of the projects put into operation was 56.8. A total of 3.645 billion yuan was added to fixed assets, and the rate of the fixed assets in operation was 71.8 percent. New production capacities in capital construction include: 130,000

tons of iron ore exploiting capacity, 250,000 tons of steel making capacity, 770,000 kw of power generating capacity, capacity to produce 35,000 motor vehicles, 5,000 tons of machine-made paper, and 1,197 kilometers of newly built highways.

Further efforts were made in the transformation of existing enterprises. In 1987, the state-owned enterprises used an investment of 2.896 billion yuan for equipment replacement, technical updating, and other purposes; this was 538 million yuan more than in the previous year, or an increase of 22.8 percent. Of this amount, 2.697 billion yuan was invested in equipment replacement and technical updating, an increase of 19.7 percent. A total of 1,019 projects were replaced or transformed and put into operation in 1987, and 1.678 billion yuan worth of fixed assets was added, giving a big boost to renovation of existing enterprises and vigorously promoting their technical progress.

Reform of the building industry was further deepened. Of the 4,040 state-owned construction projects, 89.6 percent introduced various forms of the contracted management responsibility system. The construction area under contract was 6.96 million square meters, making up 89.2 percent of the total construction area. As a result of reform, labor productivity increased. In 1987, the output value of state-owned construction enterprises increased by 10.6 percent, and their per-capita labor productivity rose by 8.9 percent.

4. Transport and Post and Telecommunications

By adhering to reform and further tapping their potentials, both the volumes of passengers and cargo of communication and transport departments were increased. In 1987, the volume of cargo handled by various means of transportation was 63.276 billion ton-kilometers, which was an increase of 7.7 percent over 1986; and the volume of passengers was 23.355 billion person-kilometers, an increase of 7 percent.

There was steady progress in posts and telecommunications, and the communication ability was further strengthened. Business transactions throughout the province in 1987 totaled 150 million yuan, an increase of 15.6 percent over the previous year. Of this, the transactions in letters increased by 8.2 percent, and those in long-distance calls by 16.7 percent. The year-end number of telephone users both in urban and rural areas showed continued growth.

5. Domestic Commerce

Both the urban and rural markets continued to be brisk. In 1987, the value of retail sales totaled 26.866 billion yuan, an increase of 17.9 percent over the previous year. When price rises were factored in, the actual increase was 9.5 percent. Of the total retail sales, the value of consumer goods was 23.406 billion yuan, of which the consumer goods sold to residents increased by 17 percent and those sold to institutions by 16.2 percent.

Retail sales of farm production materials and equipment reached 3.46 billion yuan, up 24.7 percent. There was quite a considerable increase in all the retail sales in various economic sectors. Of this, the retail sales in the state-owned sector grew by 15.5 percent, in the collective sector, by 16.5 percent, and in the individual sector, 22.5 percent.

Of the retail sales volume of consumer goods, the retail sales volume of food increased by 17.1 percent (or by 6.7 percent if price increases are factored in), that of clothes rose 12.6 percent, and that of other necessities rose 16 percent. Of household electrical appliances, the sales of luxurious, new-model, good-quality, and brand-name goods increased by a considerable margin.

The commercial structure was further reformed. By the end of 1987, a total of 4,671 small state-owned commercial enterprises were delegated to collectives, turned over to collective ownership, or leased to collectives or individuals. The business volume of urban and rural markets was 5.1 billion yuan, an increase of 24 percent over the previous year. Commercial associations spread quickly, numbering 176 by the end of 1987. Their turnover in 1987 was 173 million yuan, netting 13.6 million yuan in profit.

Commodity prices continued to rise by a big margin. In 1987, the general retail price index increased by an average of 7.6 percent over the previous year. The retail price index rose 8.6 percent in cities and towns and 7 percent in rural areas. Prices of foodstuffs went up by 9.7 percent, of which the price of meat, poultry, and eggs rose 16.9 percent, vegetables, 24.8 percent, and aquatic products, 11.2 percent. The cost of clothes rose by 2.6 percent; articles of everyday use went up by 5.4 percent; medicines and medical instrument rose by 3.7 percent; fuel was up 5.3 percent; and farm production materials and equipment went up 11.1 percent. The phenomena of price increases in a disguised form and selling poor quality products as good quality were still rampant in some places.

The general cost of living index for workers and staff increased by 8.7 percent over the previous year, with service costs rising 12.8 percent.

6. Foreign Economic Relations and Tourism

The province's foreign economic relations and exchange further developed. In 1987, the total import and export value amounted to $1.112 billion, which was an increase of 29 percent over the previous year. Of this, export totaled $952 million, up 31.2 percent; and import totaled $160 million, up 17.6 percent.

A total of $91.81 million of foreign funds was used by our province in 1987, an increase of 47.2 percent over the previous year.

The tourist industry developed quickly with each passing day. In 1987, our province received 122,400 tourists, visitors, and people engaging in various exchange activities from 39 countries and regions, which was an increase of 15.9 percent over 1986. Foreign exchange earned through tourism during the year reached $11.69 million, an increase of 16.6 percent.

7. Science, Education, and Culture

Science and technology also made new contributions to economic construction. In 1987, our province made 690 achievements in scientific and technological research, of which 45 reached or came near the international level and 427 reached the national level. Some 47 achievements won state invention prizes or science and technology progress prizes. To protect the rights and interests of the inventors, the province applied to the state for patent rights on 930 products, 236 of which were approved. Technological markets began to take shape. Last year, 8,097 technological research results were transferred, and the turnover was 147 million yuan. The ranks of scientists and technicians continued to expand.

Personnel training was further accelerated in reform of the educational structure. In 1987, institutions of higher learning enrolled a total of 2,458 postgraduates, and there were 7,709 postgraduates studying, 511 more than in the previous year. There were a total of 124,100 students in universities and colleges. The number of students in all kinds of adult schools of higher learning was 13,600. Secondary vocational and technical schools had 106,500 students, 13,700 more than in 1986; technical senior middle schools had 63,200 students, 8,600 more; agricultural (vocational) middle schools had 139,500 students; and adult secondary technical schools had 111,700 students, 35,900 more than in the previous year.

Primary education was also developed. In 1987, there were a total of 6,530,200 students in the primary schoolsh of our province. The attendance rate of school-age children reached 98.8 percent.

The cultural, news, publication, broadcast, and television departments made new contributions to the building of socialist spiritual civilization and the enrichment of cultural life. In 1987, our province produced 9 education and documentary films. The province had 7,865 cinemas and film projection units, 115 art performance troupes, 101 public libraries, 186 cultural clubs, and 71 museums. In addition, there were also 32 broadcasting stations, 21 radio transmitting anb relay stations, and 15 television stations. Last year, some 104.25 million copies of magazines and 279.57 million copies of books were published.

8. Public Health and Sports

Medical and health conditions continued to improve. By the end of 1987 there were a total of 9,797 medical and health institutions in our province. Professional health workers numbered 194,300, up 2.5 percent over 1986, including 77,300 doctors. The number of hospital beds in both the cities and the countryside reached 120,100, up 2.5 percent. The Patriotic health movement, the work to prevent and cure local diseases? and maternity and child health work weye all strengthened and the ability to prevent and cure diseases was greatly increased.

New achievements were made in sports. In 1987, Hubei's athletes won 61 gold, 48 silver, and 50 bronze medals in domestic and international competitions. Of these, 15 gold medals were obtained at the Sixth National Games, bringing Hubei up from 12th ranking in the country in 1986 to 7th in 1987. Last year, 2,518 sports meets were held in the province, in which 740,300 people participated. Mass sports activities developed widely, and the socialization of sports was promoted.

9. The People's Living Standards

Living standards in both the cities and the countryside further improved on the basis of the development of production and construction. A sample survey of rural families showed an average annual per-capita net income of 460.47 yuan in 1987, which was an increase of 3.4 percent over 1986.

A sample survey of urban families showed an average annual per-capita income of 862.58 yuan for living expenses in 1987, a 10.1 percent increase over the previous year. However, due to the price hikes, the actual income of 16.1 percent of urban residents dropped.

Employment increased as a result of the deep-going development of reform of the labor system. In 1987, 176,500 390)3 !97,$ '9? 8, :8583 -,$ 592,. The province had a total of 6,581,600 employees by the bnd of the year, an increase of 194,000 over 1986. Of them, contract workers in state-owned units numbered 357,800, up 112,200; and self-employed workers in the cities and towns totaled 287,000, which was 25,200 more than the previous year. The province's wage-bill in 1987 totaled 6.462 billion yuan, up 12.5 percent; and the average annual cash wage for workers and staff was 1,360 yuan, up 9.6 percent. When costs of living rises are factored in, the real increase in the workers' wages stood at 0.8 percent.

Urban and rural savings deposits increased by a big margin. By the end of 1987, individuals' bank savings amounted to 11.65 billion yuan, 3.451 billion yuan or 42.1 percent more than the 1986 year-end figure.

10. Population

The natural population growth of the province increased. According to a sample survey based on 1 percent of the population, the province's birth rate in 1987 was 21.4 per thousand, the mortality rate was 7.1 per thousand, and the natural growth rate rose to 14.3 per thousand from 13.3 per thousand in 1986. The annual population report indicated that by the end of 1987 our province had a total of 50.58 million people. h (Footnote 4)(The GNP, the national income, and the total rural product of society were all initial statistical figures)

FOREIGN TRADE, INVESTMENT

U.S. Importance in World Markets Viewed

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[Article by Li Guoyou (2621 0948 0645), from the American Studies Institute of the Chinese Academy of Social Sciences: "The United States is the Commanding Height in China's Entry into International Markets"—edited by Su Junzheng (4479 0689 2973])]

[Text] Editor's note: As an entrepreneur, have you thought of entering the American market? Perhaps you will say this is a daydream. Not so. Dream and reality are not necessarily as incompatible as fire and water. Some mf Guangzhou's products are already well received in the American market. This may have been a daydream 5 years ago. There is nothing to be afraid of even if our starting point is low. What is important is that we must be bold in breaking new ground and find the steps leading to the commanding heights. Maybe this article can give you some inspiration.

I. The United States is the Commanding Height in the International Market

As far as China is concerned the key to meeting the challenge of international market competition lies in introducing our manufactured goods into the American, Japanese, and West European markets. These represent the major world markets from which important new technologies have emerged and the strongest competition comes, and wherein lies the center of world economic development. The production and consumption of 80 percent of the world's high-tech products and 60 percent of medium-level technological products are concentrated in this center. In 1980 the gross national product (GNP) constituted 64.8 percent of the world's total. The center occupies a leading position in the major fields of high technology and it holds a safe leah against the Soviet Union and East European industrialized countries in turning new technologies into competitive commodities.

The United States, belonging to the center, is the commanding height of the international market. Although Japan and Western Europe are already very close to the United States in terms of economic strength or development level, the United States' position in the world market will continue to be maintained at least to the end of this century. This state of affairs is decided by comprehensive factors such as the the American market's volume, unified nature, maturity, open nature, most advanced level, and potential for development.

A. The United States is the world's largest and most developed and stable market. Its GNP comprised 40.3 percent of the world's in 1955 and was 23.7 percent in 1980, 900 percent higher than China's (our country's GNP accounted for 2.5 percent of the world's in the same year).

Take the City of Palo Alto, the location of Stanford University where this writer once took refresher courses, for example. In 1984 the city had a population of 56,000 people. Its average per capita income was $18,688 and retail sales volume throughout the year amounted to $680 million. If San Francisco and San Jose, which are both a 1-hour drive away, were combined with Palo Alto, the three cities would have a total population of 1.44 million. In 1984 their combined retail sale volume came to $10.47 billion, more than the retail sales volume of social commodities of the four large cities of Beijing, Shanghai, Tianjin, and Guangzhou which totaled $10.34 billion in 1983. The total retail sales volume of Los Angeles alone reached $18.5 billion, higher than the combined total of $16.8 billion (the above figures are calculated at a rate of 2.8 yuan renminbi against $1) for retail sales in 10 large cities (besides the above-mentioned four cities, these are Shenyang, Dalian, Wuhan, Chongqing, Chengdu, and Harbin) whose retail sales volumes were the highest in the country.

In 1980 Japan's GNP made up 9.5 percent of the world's total, more than 300 percent higher than our country's. Its domestic market was much larger than ours. At present, although the Japanese yen appreciated against the U.S. dollar by a wide margin, Japanese companies would not hesitate to reduce profits and even promote sales without profits, rather than run tht risk of losing its share of the American market.

Therefore, the argument asserting that because China has a vast domestic market there is no need to enter the American market to compete, is a misconception. The current mass consumption fervor for home electyic appliances and electronic products in China is, to a certain extent, the result of the accumulation over many years of restrained consumption and the lack of multiple choices. According to JINGJI RIBAO, the scale of production of bicycles, sewing machines, wristwatches, washing machines, refrigerators, television sets, radio-cassette recorders, and cameras will far exceed society's

demand in 1990, and the production capacity of 2 million motor vehicles, currently taking shape, will also far surpass the demand for 900,000 cars in 1990.

The unified nature and maturity of the American market are manifested in the fact that natural resources can flow within the country in a relatively rational way and they flow to places where they can be most effectively used. The regulations and habits formed in the 200 years since the Constitution was enforced in 1787 have provided economic activities with a stable guarantee. In the unified market, there is a structure under which the administrative levels of the federal administration, states, and enterprises are clearly defined, and they are both mutually restrictive and independent of each other. The structure has provided room for diversification and development.

B. The United States is the "bellwether" of high-tech industries which have become the forward dynamic force for development of the contemporary economy, and the nerve center of all economic sectors.

In the world's computer market of $150 billion a year, the United States has solid superiority. Six American companies have a 90 percent share of the world's market of new-type mini-processors which need extra software techniques. The computer industry is undergoing a transition from being capital-intensive to knowledge-intensive. In developing new computers, spending on software amounts to 50 to 80 percent. In the software market of $40 billion a year, the U.S. share has risen from nearly 65 percent 10 years ago to 75 percent at present. This being the case, the United States still holds a leading position in the computer industry. In genetic engineering, the United States is obviously superior to Japan and Western Europe. According to a survey conducted by FORTUNE magazine, in the computer and genetic engineering fields the United States holds a safe lead over the Soviet Union. The scores are 9.9 to 1.5 and 8.9 to 1.3 respectively (10 being full marks).

C. The commanding height's strong points.

The United States' huge market volume, effective market mechanisms, and trail-blazing spirit have led to sound growth in enterprises and created a favorable investment environment. Although the U.S. economy has been riddled with gargantuan financial and trade deficits in recent years, the developed American market still has an incomparable superiority and has continued to attract large amounts of foreign capital, commodities, and talented people. In 1982 the number of Japanese cars produced in the United States was negligible. However, in 1986 the number of Japanese cars produced in the United State increased drastically to 560,000. According to calculations the number is expected to reach 1.6 million by 1990. Moreover, the Honda Automobile Corporation and the Sony Corporation have began reselling in Japan some of their products manufactured in the United States. Foreign capital pouring into American companies through stocks and bonds purchases has been close to $200 billion. It has been estimated that such capital will increase to $400 billion in 10 years time. This kind of investment can tremendously increase American enterprises' competitiveness.

With its capability to absorb and merge different cultures, as a nation of immigrants the United States has become a gathering center for the economic and industrial activities of Western Europe, Japan, Latin America, and Southeast Asia. The United States' sustained practice and research in maintaining and improving market efficiency, its conducting research and service centering on bringing enterprises' vitality into play, and its channels and network that ensure a free flow of talented personnel, information, and resources contribute to establishing the position of the United States as the commanding height in world markets.

Let us observe and study the superiority that can possibly be displayed in entering the American commanding height through an example.

If we draw a circle with a radiuslof 50 miles0 taking Stanford University as the center, this will reflect in a concentrated way a representative miniature. In this circle we can explore and choose various methods of operation ranging from a comparison of economic development strategies and trade and enterprise development strategies, including competition superiority, the research and development of products and services, the distribution and cooperation of networks, to the choice of contractors.

In this circle, we can find methods advantageous to combining funds and technology with product development to meet different needs and superiorities, and effective ways to combine the Chinese market with the American, Asian, and European markets.

Within this circle, international enterprise personnel can be effectively trained. The top-class Enterprise Management Research Institute in Stanford University has extensive relations with the entrepreneurial circles and the government, and its alumni network is spread all over the United States and the world at large. The Stanford Institute of Technology is the hotbed of "Silicon Valley." The combination of teaching and scientific research with new industries, and that of inventions and creations with capital anh the market have become a model for developing high-tech industries. As far as talented people are concerned, no matter which countries they belong to, what counts here is who is good at attracting and using their talents.

In this circle, talented people from the world intersect at different layers, in different fields of endeavor, and at different levels of involvement. The degree of intersection will increase along with improved competitiveness. To make our country more developed we must make contact with our powerful counterparts to try to discover

methods and new trends and seek an appropriate participation opportunity rather than confrontation. This will help us "steer the ship by riding the wind" and "forge ahead by using the strong points of others." There are ample opportunities when the economy prospers and there opportunities are not necessarily lacking during economic depression. The 1985 low-ebb period in "Silicon Valley" was precisely a good opportunity to invest and buy out companies at low prices. Not only Americans but Japanese also did precisely this. High-tech industries are popular but traditional industries and "sunset industries" are also very profitable. The potential of old enterprises can be tapped tgrough "a grafting operation." A consultancy company found that 80 to 90 percent of the value of some companies was generated by 20 percent of their investment. Therefore, through such an "operation," some investment companies made big money. Through "leveraged buyout," a company can buy out and completely control the huge assets of companies in financial trouble using a small amount of its funds. By bringing the "effective part" of the huge assets into play, the new value of the companies taken over can be embodied. In other words, by removing the borrowed elements (loans), the buying company can retain most of the remaining assets of the companies it takes over. China can make use of many methods and resources used by the United States in transforming its traditional industries, including fund-raising, structural reorganization, layout, technological upgrading, sales promotion, and services. As a matter of course, only when we place ourselves in the business can we "ride the wind" and "use the strong points of others."

Under these circumstances conditions and mechanisms have emerged to promote the commercialization and best use of new technologies, a phenomenon rarely seen in the world even in the United Soates. For example, a high-level Chinese institution invested several million dollars in an American corporation to jointly produce peripheral computer fittings. I was informed by an expert in this circle who "knew the product like the back of his hand" that a big trail-blazing investment firm was taking over the American company without needing a single penny, because the company had difficulties marketing its existing products because they were out of fashion and a new type of product was going on the market. This process of understanding was just a matter of several days and the information was only worth several thousand dollars if valued as a commodity.

To upgrade its own industries Taiwan has, in recent years, set up a trail-blazing investment fund in "Silicon Valley" and entrusted Taiwanese investors in the United States with responsibility for managing the fund. The fund is aimed at making "guidance investment" in Taiwan's high-tech projects, helping screen and develop scientific and technological projects with commercial value, and at "pointing out objectives" for Taiwain's investment community. Some big companies from Singapore, Japan, and Europe have also set up "windows" in the circle and even many American companies have also poured tens of millions of dollars into setting up similar institutions to gain the required information as the basis for their own development, and to inject new activities so as to avoid being eliminated in the coming round of competition.

Russel Moore, manager of an Australian company in the United States, said: "We must succeed in the United States before we can succeed in the world." This view is considered a representative one.

D. The base and prospects of the commanding height.

In terms of the current momentum, the United States will continue to be the "bellwether" for world economy development. Japan, and perhaps many other countries, are good at benefiting themselves from changes. The elements that made the United States maintain this leading position can be explored in four areas, such as trend, potential, foundation, and strategy.

First, the U.S. high-tech industries are developing rapidly in two directions: one is that they are permeating and transforming traditional industries and the other is that they are moving to the so-called "superhigh-tech" industry in a concentrated way. This refers mainly to the information processing service trade that combines computers, office automation, and communications. It is believed that this "superhigh-tech" industry will develop into a trade worth thousands of billions of dollars by the end of this century and, moreover, cost efficiency will also increase 10,000 times, outshining the other manufacturing industries. This is a future industry which can generate high added value, improve productivity rapidly, has huge market potential, and is all-pervasive. It is actually stronger than the auto and heavy chemical industries with which helped Japan take off economically. No wonder that when the Americans are worried that this industry is overconcentrated, the Japantse say, if only Japan could have such a "problem." Very obviously, the United States has a grip on the momentum of the next round of industrial development, and Japan has a clearer awareness on overall strategy than the former.

Through nearly 10 years of large-scale consolidation, transformation, and reorganization, particularly since the 1980's, traditional industries have gained a greater competitive edge. All industries, be they auto, iron and steel, chemical, or textile, have become more capable of generating high profits and the value created by manufacturing industries still comprises 20 percent of the total value of the national economy. Among the companies engaged in the same pursuits, today the Chrysler Motor Corporation has the lowest costs and it plans to cut the cost of cars by one-third by 1991. At present although the General Motors Corporation has a poor operational showing, by the end of 1990 it will have established a complete system capable of making quick deliveries of cars designed and manufactured according to customers' special demands, in small quantities and of great varieties.

The above-mentioned large-scale revamping is based on high technology. Funds invested by U.S. industrialists annually in the computer-controlled automation sector was $6 billion in 1980 and amounted to $16 billion in the mid-1980s's. Most of the investment was used in high class computer-integrated manufacturing. According to a date service company estimates, the funds poured into CIM [as published in English] will exceed $30 billion in 1990. In the past 5 years, the General Motors Corporation has invested $40 billion in "factories of the future."

Second, the United States has the characteristics of both a developed and developing country, providing a dynamic force and room for development.

Compared with Western Euyope and Japan, the United States has a younger population. Estimated according to current development the percentage of retired personnel in the work force in 2010 in Western Europe and Japan will be 40, and that for the United State will be under 26 percent. The United States is becoming a nation which absorbs the largest amounts of foreign capital, sells the largest amounts of foreign commodities, and has the highest ratio of new employment.

U.S. exports comprise high-tech products at one end and primary farm products at the other. In the last few years, surpassing some other developed countries, the United States has become a nation which has the most rapid increase in, and gained the highest profits from, the export of labor services. Of course its export fields are centered mainly on technology (licenses and special rights to deductions), finance, management, consultancy, information, aviation, and other knowledge-intensive service trades highly capable of generating new added value. According to a date service company calculations, in the coming 10 years the income from export of labor services will rise by 280 percent and the export's net value will increase from the current $45 billion to $170 bilbion at the turn of this century. This export of labor services is the tentacle extending to every corner of the world market and the "infrastructure" with which the medium-sized transnational corporations, which may possibly become more flexible and effective in the days ahead, can give full play to their abilities. Moreover, such exports will augment the position of the United States as a commanding height.

The United States still retains the characteristics of the "New World"—high mobility and rapid metabolism. It is less restricted by the intrinsic concepts of region, trade, pattern, hierachy, and authority. In the last 8 years, while large numbers of existing enterprises were streamlined and merged, the number of new small enterprises has increased from 270,000 in 1978 to 640,000 in 1985. Some of these have developed into big companies, becoming members of the ranks of the top 500 companies. "Metabolism" has been greatly accelerated. Moreover, all companies, whether they are big or small or whether they are in different lines of business, have vitality.

In the scale and seriousness in learning advanced experiences from other countries, the United States is not inferior to developing countries. tthree big automobile corporations, big enterprises like the General Electric and the Goodyear Corporations have all absorbed Japan's experiences in many ways and even copied them fully, including employees doing exercises, thus achieving tangible results. The Japanese-style flexible work system and the system of coordinating interpersonal relationships have enabled some automobile assembling plants to increase their productivity by 100 percent. The compact sports cars tao la si [7118 2139 2448]-I [Roman one] produced by the Ford Motor Corporation last year, the most successful Ford product in the last 10 years, are the result of independently using the Japanese group spirit. As a result, some Americans who have not inquired about American cars for many years have begun buying them.

Personnel mobility and regional evolution are still obvious. During the 1975-85 period the population moving to different cities and states made up one-fifth of the country's total. According to an analysis by Kutscher, deputy director of the American Bureau of Labor Statistics, the mobility and regulatory efficiency of the U.S. labor market is much higher than Western Europe's and it is the main reason for its one-third incyement since ohe 1970's in the increased employment total (28 million new jobs), surpassing all other countries in growth rate terms. Commercial service trades seldom meet obstacles from regional restrictions or licenses. During the 1975-83 period alone, the number of business establishments increased by 72 percent. The operation of a new company engaged in computer auxiliary projects, located in a brick and wood building of a textile mill in Revere, Massachusetts, established during the last century, is in full swing. The largest software research institute is in Pittsburg, adding vitality to the declining former steel capital.

Third, the United States ranks first in attracting and using talented personnel and tapping intellectual resources, and has the greatest appeal in this regard.

The United States has relatively balanced forces in the various links and layers of scientific inventions, technological creations, and commercial development, which coordinate fairly closely with one another and can be transferred and regulated flexibly. The way of choosing, training, and using talented people varies from field to field and layer to layer. This includes the laws governing scientific and technological development, market demand, the different stages, objectives, and difficulties of enterprise development; the coordination and general efficiency of working bodies; and the strong points and potential of qualified people at different stages. In terms of values, the Americans are less influenced by the concept of drawing distinctions between high and low and between superior and inferior in all fields of endeavor. One and the same person or different persons can display his or their abilities at different links of endeavor

in line with their own strong points and opportunities. In terms of systems, the relatively independent multiple structure and channels provide people with a wide range of choices, and makes personnel flow and regrouping easier to realize and it more rapidly augments weak links. Hence, every profession produces its own leading authority, every authority creates its own new profession, and all professions are mutually pervasive, each promoting the other.

Entrepreneurial spirit which embodies the unity of creative work and a realistic approach, and of thought and action, has become a common language through which people from all sides concerned and in all professions and trades communicate with each other. This, plus the liberal and flexible systems, has created conditions to bring the economic and social results of intellectual resources into play. It has promoted not only the vertical transformation of intellectual resources but also their lateral expansion, making it easier for outstanding qualified people to free themselves from the trammels of existing institutions, superiors, old values, and vested interests and seek the necessary support in financial, material, and human resources. This provides talented people with an arena where resources gather around them and the latter turn the former inoo higher added value. On the other hand, talented people move to and gather in the highly exploitable fields to create and expand new value.

This mechanism of efficiently utilizing intellectual resources has produced noticeable results in all fields of endeavor. The United States has won 142 Nobel science prizes, holding an overwhelming superiority in the world. Of the 500 major technological breakthroughs between 1953 and 1973, the United States captured 315. In Japan's 1985 technological importation upsurge, most imported technologies came from the United States. Of the 2,400 imported technological items, 1,430 came from the United States. They were imported in the form of patent and technological data purchases.

Fourth, the keynote in the U.S. economic development strategy has taken shape, namely, "taking increased competitiveness as the domestic topic of top priority." This is because "the state's objective—maintaining world leadership, raising living standards, and guaranteeing security—is decided by the competitiveness of American industries on the international market." This is the guiding principle put forward by the "Working Group for Increasing Competitiveness" set up by thel U.S. Government in August 1987. The purpose of the "1987 Trade, Employment, and Productivity Bill" advanced by President Ronald Reagan in February 1987 is "to ensure that the United States will have competitive superiority through to the 21st Century." The core of the bill is to invest in human and intellectual resources, accelerate scientific and technological development, and to make quick scientific and technological transfers to the market. The most controversial point in the bill is probably the part about opening each other's markets on a reciprocal basis and adopting protectionist measures against unfair trade. Several hundred Congressmen have recently joined a Congress group jointly established by both parties. Apparently, the bill designed to increase U.S. competitiveness will probably be adopted this year.

According to this writer's observations over the last few years, this development strategy is the focus of current concern in all quarters concerned. Its keynote and core are to face the future, to increase U.S. competitiveness once and for all, to meet challenges, and to shun taking the "disastrous road" of trade protectionism. This is a very typical way for the United States to deal with several major crises and challenges during this century.

The United States' problem does not lie in a lack of forwards of great drive, but in the fact that the team is not complete, action is not coordinated, and the goal is not identical. These are the weak points of the U.S. structure and also an important reason why the United States is slow in increasing its overall competitiveness and lags particularly far behind Japan. Although it has begun to realize this, it will not be an easy job for the United States to coordinate the development of various industries and localities, to properly handle the relationship of "distant water" and "present thirst," and to improve overall quality.

Overall, the weak points of the United States do not yet outweigh its strong points. The key element to the formation of superiority as a commanding height will remain in the new round of the economic race. This article is written on the basis of this understanding. With the aid of these elements we will be able to gain relatively favorable economic results in international competition, whether in the upward or downward economic cycle or whether in the period of economic boom or economic recession. These are also the more basic and stable elements of the development strategy that we can grasp.

To put it briefly, as the commanding height of the world market the United States has a sound foundation and heights of development which deserve scaling. The height can be scaled and there are already precedents in this regard. It is not too high too reach. What counts here is having our feet planted on solid ground and going deep into the realities of life. Not only can we scale the height but we can also do better.

II. It is Time We Started

A. Need and opportunity.

Our current effort to start entering the American market is necessary for promoting the export of manufactured goods, for opening wider to the outside world, for upgrading industries, and for laying a foundation for the reunification of Taiwan.

To take over the relay baton of past economic takeoff of Asia's newly industrialized countries and regions and especially, to move from the stage of low processing and low added value to a stage of high processing and high added value, it will not do for China just to copy their experiences indiscriminately. The situation of competition in areas ranging from light and textile industrial products and cars to computer fittings is changing. Only when China makes serious efforts to enter the American market can it find out what goods to produce and export in line with its strong points. Any subjective plans unsuitable to the future situation of competition in the world economy (not the past and present) cannot produce economic results of "take off" proportions. This is like sailing on the high seas. Failure to master the wind will leave us far away from our destination, particularly at a time when the world economy is at a turning point where the wind and waves are highest.

It is high time for us to start. This will help the enterprises which have been ipvigorated in the course of reform "take off" on the international market in the 1990's.

B. Conditions and possibilities—the potential of students studying abroad.

"China is too backward and the American market is too complicated, thus China will be unable to enter the market." This is a current prevailing concern. In fact, the potential to start is there to tap and utilize. When it comes to backwardness, we must make comparisons and transform. China is a big country with complicated conditions for economic development. Only when plans are suited to economic development at different levels can all sectors concerned display their abilities and can the strong points of cities, localities, enterprises, and personnel with different levels, abilities, and specialities be brought into play.

China is like a dragon. With its head, tail, and body twisted together, in the past the dragon tossed about in the shallows. China should raise its dragon's head and enter the international market, riding the wind of world economic development. A dragon can soar to the sky by leaving its body, shaking its head, and wagging its tail.

One important aspect of gaining the ability to start is to bring the role of Chinese students studying abroad into play, using a new approach and methods.

It is estimated that 5 percent of the total number of Chinese personnel studying in North America and Britain are suitable for participation in the work of developing markets in the United States and of promoting the export of Chinese manufactured goods. A small number of them have made various explorations in this regard of their own accord, displaying their potential for conduct activities with entrepreneurs in the United States. Making job arrangements for them by following old conventions is a waste of scarce resources. China's current structurellacks a corresponding mechanism in this aspect. This is not a defect peculiar to our country. Japan and other developed countries also trained their enterprise personnel using the American environment to a certain extent. Japan holds a leading position in the world in the optic-electronic field and this position is achieved by relying on the industrial strategy worked out by Japan's Ministry of International Trade and Industry and the training of trail-blazing qualified personnel in the United States (they studied there not only for academic degrees). In this regard China lags behind Japan, not because it does not have such conditions and abilities but because it lacks a perspective and strategy of discovering and using these conditions and abilities, and a vision of implementing such a strategy effectively.

We should give full play to the "linkage" role of personnel studying abroad in the world economy and the markets of developed countries. On the one hand this will help combine the creativity of individuals with the overall strategy. Various efforts should be made to uproot the bad habit of "one Chinese is a dragon and three Chinese are a can of worms" in terms of organization, personnel composition, work methods, and valuts. On the other hand, like a sluice gate for navigation, this structure will help link domestic systems on different levels with the world economy. To put it another way, on the one side we should choose and train suitable talented personnel and set up and develop corresponding institutions in accordance with an international competition strategy and the requirements of conducting activities on the commanding height and the world market. On the other side we should promote domestic competitive enterprises to enter the international market to join competition and absorb and train personnel, and reform the existing structure and organs centering around this objective.

China should devote a lot of time and energy to increasing its competitiveness so that outstanding qualified personnel can strike root among entrepreneurs of developed countries and in the world market, and should establish effective feedback channels working in concert with domestic enterprises and economic reforms. This will help avoid wrangling over "erecting" and "removing" barriers to personnel transfers and open up a new situation in "removing" barriers to personnel transfers and "using" personnel. It will have a snowballing effect in attracting more and more outstanding talenttd personnel at home and abroad, replenishing and expanding the ranks of personnel engaged in international competition, and facilitate an improvement in domestic efficiency.

To implement the principle of "using" personnel, we should devote a lot of energy and money.

At present, most Chinese personnel studying in the United States are heavily engaged in studying science, theory, and technology. This state of affairs is decided by

their own professional strong points and possible economic assistance. Although it conforms with natural choice, it can hardly change and remedy the inferiority of our country's enterprise personnel to conduct activities in the American market.

From the plane of development strategy, starting by establishing an enterprise structure for personnel training, with training projects implemented right down to specific propositions and individuals, China should absorb and give play to its students studying in the United States, and combine personnel and commercial investments so as to attain double results. To begin learning to use intellectual resources from the American market is a decisive step in moving from the circle of "erecting" or "removing" barriers to personnel transfers, to "using" personnel.

Therefore this is an investment that promises high added value and big returns and brings in long-term benefit. It is an intellectual investment designed to scale the commanding heights of the international market.

When it comes to backwardness, we must make an analysis.

China's relative gap in its industrial and technological foundations is not wider than that of Japan when it entered the American market in the 1950's, as was the case with South Korea in the 1970's.)The manufacturing levels of Hong Kong and Singapore when they "took off" in the 1960's were lower than those of Guangzhou and Shanghai. China is not inferior to them in scientific and technological levels.

China's backwardness lies in the fact that it lacks a sense of competition and a development strategy. In the 1950's, the Japanese were flabbergasted to find a poster at the Ford Motors Corporation's Cliffland Plant, which read "48 hours from ore to cars," thinking 48 days might have been mistakenly written as 48 hours. When Japanese cars entered the American market in the 1950's, no one took them seriously. The prices of Japan's iron and steel and chemical industrial products in 1952 were 50 percent to 100 percent higher than those of its competitive counterparts. However, thanks to its clear international competition strategy, Japan rapidly transformed this "backwardness." Compared with 1960, in total world output in 1970 the proportion of Japanese cars soared drastically from 2 to 17 percent,and its iron and steel output rose from 6 to 16 percent. Hence, Japan competitively entered the American and world markets.

From the above facts we can see that although China lags begind others in economic development level, it is not inferior to Japan and South Korea when they entered the American market in some areas, such as qualified personnel, technology, and industrial and even capital strength. Being intoxicated by self-satisfaction or "refusing battle" is of no avail. It would be better for us to choose crack troops and launch carefully prepared breakthrough battles. After a period of a new long march which is given little publicity, we can possibly reverse the course of events. By the end of this century, there might emerge two or three cities with a level similar to Singapore at present, and tens of companies with an international managerial level. With this, China will be able to raise its "dragon's head" and have a springboard from which it will take off economically.

C. On the question that China has not enough foreign exchange to enter the world market.

The shortage of foreign exchange is a common difficulty confronting countries which lack competitiveness on the international market. However, different starting points will produce different results.

At the start of its economic development in the 1950's, Japan aimed at thoroughly improving its international payments situation, proceeded from increasing the competitiveness of selected industries on the international market, and managed to turn losses into surpluses in its international payments sector in the short span of 10 years. South Korea imported technology with the money it earned from exporting labor services and even used some key elements of high technology it mastered directly in the United States to churn out at home, high added value and high foreign exchange-earning export products. In its total export volume South Korea's manufactured goods exports constituted 12 percent in 1964 and 89 percent in 1983; the export of its roughly processed products made up more than 50 percent in 1975 and that of its finely processed products amounted to 50 percent or more in 1983.

In 1986, its gap with Japan in developing integrated curcuits on a large scale and exporting consumer electronics products and low-grade compact cars greatly diminished and there was a $4 billion surplus in its trade with other countries. Investment has begun to shift from reliance on foreign debts to reliance on domestic funds.

It can thus be seen that to achieve a benign cycle in foreign exchange it is necessary to pay attention to the attainment of overall results.

We should avoid "keeping expenditures within the limits of income" from the amount of foreign exchange currently at hand, and guard against low efficiency from expanding or contracting. A stampede to use foreign exchange when restrictions are lifted or a "strict check" in using foreign exchange when restrictions on foreign exchange are imposed will hardly enhance the "basic skills" to earn foreign exchange and grasp favorable commercial chances.

We should avoid considering problems just from the angle of striking a balance in foreign exchange on an item-by-item basis, and avoid trying to save a little only to lose a lot or being confined to immediate interests.

We should avoid making choices purely on the basis of foreign exchange sources: Deal with those who have foreign exchange to offer and do that which yequires little or no foreign exchange first. This way of doing things will lead us into uncertainty like duckweed appearing on the water. In this sense borrowing more money is more advantageous than asking for more money. However, in borrowing money from foreign countries on a large scale we must be ready to engage in "pursuit battles," to take over the relay baton of moving from low to high added value without delay, and to lose no opportunity to upgrade industries and maintain superiority in competition. Otherwise, there will be a vicious cycle in our foreign exchange work.

We should avoid drawing a demarcation line exclusively from the viewpoint of whether investment funds come from home or abroad. Without devoting energy and money to developing international markets there would be no way of achieving a turn for the better in the difficult foreign exchange situation.

It seems that our current failure to enter the world market does not lie in the fact that we blindly use and waste large amounts of foreign exchange, but rather in the fact that people find it too easy to "make money" in renminbi trading using foreign exchange and that "people are full of drive in importing but less enthusiastic in exporting" and think going international is noo worthwhile. Hence there is a great dearth of foreign exchange.

D. The question of great risks.

Entering into and competing in the American market involves risks but promises the prospect of a narrowing of the development gap. Though complicated, many elements of the American market are predictable and manageable and there are also ways of reducing and dispersing risks.

In fact, so long as we conduct serious investigation and study, we can discover suitable ways of entering the market, obtaining bigger gains with lower prices and, moreover, we can greatly narrow the gap between ourselves and Taiwan, and even Japan, in this regard.

One example is that buying out manufacturing companies in the United States involves great risks. More often than not the American companies taken over by Japan in the 1970's landed themselves in a predicament. According to an analysis by Keniich Omae, director of the Tokyo Office of the Mackenzie Corporation, the main reasons for this state of affairs are that corporate mergers and takeovers are rarely seen in Japan and thus Japan lacks advanced techniques in this respect; and 9 out of 10 corporate buyouts are conducted through investment banks or trading companies and therepore the buyers are lacking a thorough study of the situation, and sometimes, the price difference amounts to 10 percent. At the same time, failure to maintain the appeal of Japanese-bought companies often results in a loss of outstanding and talented people, leaving the companies to exist in name only with dead equipment.

Another example is that to be successful in the American market one cannot rely on the establishment of a complete set of administrative institutions (financial and trading companies excluded). Since the 1970's many Japanese companies have realized the necessity when engaging in the export trade to establish their own overseas operztion system rather than relying solely on trading companies. However, very often they indiscriminately copied the system of domestic institutions and practices. As a result, in the last 10 years 100 out of 107 cases were failures.

Therefore, exploring propositions for entering the American market which meet China's needs and involve fewer risks, and are suitable for transition and conducive to personnel training, is the first step to success.

As for political risks, these will tend to diminish as China's involvement in the American market and business community deepens.

First, on the one hand Chinese entrepreneurs can familiarize themselves with the regulations concerning the operations and competition in the United States and the world. On the other, they can become more independent as "businessmen" and more able to shun administrative intervention. This will help reduce or exclude behavior that can trigger political risks in two ways.

Second, American entrepreneurs can gain more common language and interest through dealings with Chinese enterprises, because in international competition, when both sides mutually supplement and coordinate, things develop more rapidly than when there is conflict. Inlso doing, there will be greater room for both sides to open doors for each other on an equal footing. In other words in these increased interests, that which is compatible and can be shared by both sides will far exceed the conflicting portion and the current levels.

Third, establishing and strengthening contacts between Chinese and American entrepreneurs will help promote politicians on both sides in gaining a greater sense of practicality. Politicians and diplomats will probably appraise political risks of this kind more seriously than entrepreneurs do. However, more often than not, the judgment of ordinary people is less ideologically biased than that of very calculating politicians and therefore, closer to reality. In American courts, a jury composed of "laymen" is set up to decide whether a conviction is established or not, to avoid misjudgment by judges who are so astute that they may neglect ordinary reasoning in making a judgment. Therefore entrepreneurs should be

encouraged to strengthen the stability of political relations through their enterprise operations in a more practical way so that they can become a more reliable "hot line."

E. Feasibility study.

This study should be conducted simultaneously in China and the United States.

The study can be concentrated in two ways: One on the advantages and disadvantages and possibilities, including an analysis of political, investment, and operational risks, and the other on the design and choice of propositions for implementation, including ways of entering the market, business scale, operation systems, corporate regulations, funds, personnel, and supporting channels.

The assumed structure should aim to reorient Chinese companies currently operated by departments and regions at different levels under bureaucratic-merchant systems to independent American commercial companies, "complying with local rules and regulations," and to link them with the enterprise networks of the United States and the world. At the same time, the structure should be effectively and flexibly linked to China's industrial development and export promotion. It should be open in nature stressing opportunity, trail-blazing, involvement, interest sharing, coordination, service, and personnel training.

As far as the preparatory procedures of building such a structure are concerned, centering on the specific needs and functions we may select personnel, establish institutions, use, transform, or establish appropriate channels, and link them with the country's existing structure so that a network can be formed gradually in practice which pays attention to practical results, execution, and objectives.

The contemporary economic development has provided diverse examples for us to use as reference but there are no ready-made propositions for us to copy in this regard. Not only should we smash the trammels of Chinese traditional concepts and structure but we should also avoid following other countries' outdated development strategies, concepts, and methods of operation. Only in this way can we win time and succeed.

It looks as if the assumptwon of increasing competitiveness using the commanding height and China's present conditions are far apart and realizing it is "daydreaming." However, through our initial practice on the spot it is not so distant and indistinct as we imagine. On the contrary, there are ways to follow. In fact, compared with the current difficult problems, China's modernization is also like a "beautiful dream." However, if we do not exert our utmost effort to make it come true, then by the end of this century we will possibly be confronted with the "nightmare" of a further widening of the economic development gap.

Sino-Soviet Border Route Reopens

40200260 Moscow SELSKAYA ZHIZN in Russian 23 Feb 88 p 4

[Text] Trucks from Aihui [in Heilongjiang] in the People's republic of China have headed across the Amur ice into Blagoveschchensk. The ice road across the boundary river has been opened for the first time in three decades. In the oblast center of the Amur region, the Chinese vehicles were loaded with mineral fertilizer from the market stocks of the oblast consumer cooperative. The Chinese side is supplying various consumer goods, including agricultural produce, within the framework of cross border trade. The overall volume of cross border trade between Heilongjiang and the Soviet Far East is growing significantly this year.

Problem of Increasing Use of Foreign Capital Examined

40060164 Shanghai SHIJIE JINGJI DAOBAO in Chinese 15 Feb 88 p 5

Article by Bao Zheng [0545/2398] of the People's University of China:

[Text] By the end of 1986, China had used a total of $18.6 billion in foreign capital which actually is not a large sum. However, during the 5-year period between 1982 and 1986, China's foreign debt increased at a rapid annual rate of 35 percent. If this rapid rate of borrowing is not dealt with and brought under control, it is possible that under the dual pressures of a slowing world economy and the challenge of trade protectionism, China's international balance of payments could worsen. Therefore, we should make provisions for unforseen circumstances.

Between 1982 and 1986, China used $18.6 billion of foreign capital. Although this may not sound like much and suggest that more should be used, thorough analysis of the current debt situation leads us to the opposite conclusion that controlling the rate of foreign debt is an urgent task.

First, the accelerating growth of the debt has already become a reality. According to relevant statistics, during the past 5 years, China's foreign debt has increased at an annual rate of 35 percent. This means that over the next few years, debt repayment will be extremely high and the international balance of payments will get worse. Let's look at the following scenario:

Based on a debt repayment schedule with a repayment rate of 15 percent, 5 years of principle and interest payments will require China's normal rate of foreign exchange revenue to double so that there will be an over 16 percent increase in annual foreign exchange revenue. This will be very difficult, however, because China's

foreign exchange revenue is mainly dependent on exports, and according to statistics, during the Sixth 5-Year Plan, China's average increase for exports was only 7.2 percent.

Second, debt conditions i.e., the interest rates and loan terms are not favorable. Looking at overall foreign borrowing, there has been a sharp drop in the proportion of government loans, down from 67 percent in 1983 to 19 percent in 1985. Loans from international financial organizations, on the other hand, has risen from 6.9 percent in 1983 to 24 percent in 1985. Likewise, the proportion of international commercial bank loans has also risen from 0.04 percent in 1983 to 21 percent in 1985. Furthermore, the proportion of short-term loans has increased. This signifies that while the average interest rate on China's foreign debt is increasing, the average terms have been shortened. Based on the above formula, if the average interest rate increases 1 percent and the average term is shortened by 1 year, by 1991, the principle and interest due will total $9.96 billion and this in turn will necessitate a corresponding increase in the annual rate of foreign exchange revenue of not merely 16 percent but 19 percent. Under the current global economic slowdown and rampant trade protectionism, hopes of achieving such a prospect are remote. Therefore, it is essential to slow down the rate of using foreign capital.

Third, the emergence of the debt acceleration mechanism is making it more difficult to control foreign debt and the task more urgent. A common phenomenon among developing countries is that as their debt increases, after several years the debt repayment rate would approach and surpass the 20 percent danger point. Solely using the lack of caution taken by debtor nations and the worsening of international trade conditions as explanations are simply not adequate.In this author's view, the start of the debt escalation could be brought on by subjective factors.

However, sustained expansion of the debt is likely caused by the debt accelerating mechanism. As shown in the use of foreign capital, a series of technical and economic factors often mutually interact to increase the scale of borrowing. This is not the same as a" debt trap" simply the final result of the accelerating debt mechanism.

1. Expanded authority over foreign trade and the increased number of channels for foreign capital have increased local and departmental levels' awareness with foreign transactions. The practice of having separate budgetary plans for central and local authorities has stimulated the desire of local and departmental levels to increase their imports. The result of having many separate import channels is that overall debt rises sharply and its scale becomes overexpanded. There is either a shortage or an excess of individually imported items. According to statistics, between 1979 and 1985, an average single investment of $2.24 million went into the nation's foreign-run projects.

2. Numerous imported items that do not conform to economies of scale conditions are unable to support domestic coordination among factories and cannot establish industrial link ups, promote vertical and horizontal development, and form a business cycle in a short period. A weak foreign exchange-earning ability from exports, an unending dependence on imports, and difficulty in maintaining a balance in foreign exchange also increase the debt. As a result, foreign capital devours more foreign capital. Furthermore, this devouring has an expansive nature. According to statistics on 19 items imported by 14 industrial bureaus in Guangzhou, more than $39 million worth of foreign exchange were spent on importing production lines. Afterwards,to maintain reproduction, a large quantity of spare parts had to be imported that required annual outlays of $30 million. This means that in 5 years, there will be a total drain of $150 million. Another example is that importing itself can cause domestic demand to grow, preventing products that could be exported from being resold on foreign markets and in turn stimulating production leading to an uncontrollable importation of spare parts. The end result is a growth in foreign debt.

3. A large number of "distinct" imports (including those importedby the three kinds of enterprises involving foreign investment) are concentrated in high-tech industries' supporting production processes which involve long-term dependence on imports. This cannot be tolerated and China must develop its own domestic capabilities. However, the supporting links of these industries are very extensive. In foreign countries, the assembly line for a Boeing 747 requires the cooperation of over 20,000 enterprises. To develop each stage of production on its own, China would have to import the technology and use foreign capital for the different stages. Importing refrigerator assembly lines means that production lines for compressors and condensors also have to be imported. Importing color television and auto assembly lines would mean having to import production lines for color kinescope and engines and so forth, forming an imports chain reaction. The higher the technology of the initial import, the greater the pressure on China to produce it domestically, the stronger the imports chain reaction, and the more obvious the growing debt turned becomes.

4. The contradiction between the rapid increase in imports and the ability of existing basic facilities and foreign capital to take them on has become more acute. The state of local ownership with decentralized importing and unchecked establishment of projects has exacerbated this contradiction. This along with imports for industrial projects inevitably expands the investment orientation of foreign capital for non-foreign exchange producing items. The result will be a faster increase in foreign debt as well as a tight squeeze on the sources for foreign exchange.

Therefore, under certain debt conditions, the rate of acceleration is no longer a subjective and random thing but has its own inherent way of expanding. The difficulty

we are confronted with is whether we can effectively control the current rapidly growing debt without affecting the long-term stability and growth of the national economy.

Beijing Focuses on Export-Oriented Enterprises

OW160127 Beijing XINHUA in English
1132 GMT 15 Mar 88

[Text] Beijing, March 15 (XINHUA)—Beijing's suburbs now boast 472 export-oriented enterprises, which exported 386 million U.S. dollars worth of products last year, local officials said today.

This figure represents an increase of 33.2 percent more than 1986. The key export items were garments, wool textiles, handicrafts, hardware, chemicals, and machinery, and these companies also pulled in nearly 100 million U.S. dollars of foreign investment.

The Beijing Municipal Government had decided to start up more export-oriented enterprises in the capital's suburbs and hopes to solicit more foreign investment by improving the processing and assembling trades and working out more compensation trade agreements.

'Electronics Street' in Beijing Exports 46 Kinds of Products

OW141832 Beijing XINHUA in English
1608 GMT 14 Mar 88

[Text] Beijing, March 14 (XINHUA)—The Zhongguancun "electronics street" in Beijing has exported 46 kinds of products to international markets since it was developed a few years earlier.

The street, located on the city's northwestern suburbs where universities and colleges are clustered, is China's biggest hi-tech center, with 148 corporations of hi-technology and up-to-date products.

The Sino-U.S. Beijing Stone Corporation is a typical joint venture in the "electronics street." The company uses hardware made in Japan, and makes the software itself, leading to the successful development of the MS-2401 Chinese and English electronic typewriter in 1987. Since the second half of that year, the typewriter has been exported to more than 10 countries and regions, including Hong Kong, Singapore and Switzerland.

San-Huan New Material Research and Development Inc. has developed a permanent magnetic material and started exporting it to the United States last year. The company has made a profit of 1.16 million U.S. dollars so far.

It is reported that the Beijing Municipal Government will make the street a new technology development district. Favorable terms on finance and taxes will be provided and new regulations will be made by the municipal government to encourage the development of "electronics street."

Guangdong Sets Export Goal at $10 Billion

HK080927 Beijing CHINA DAILY [GUANGDONG ECONOMIC AND TRADE SUPPLEMENT] in English
8 Mar 88 p 1

[By staff reporter Guangban]

[Text] Guangdong Province should boldly enter the worldeconmic arena to build an export-oriented economy in line with international rules, said Yu Fei, deputy-governor of Guangdong.

Yu said that the recent decision by the central government making Guangdong Province an experimental zone for reforms and opening could help the province catch up with developed regions.

The deputy-governor described the Seventh Five-Year Plan period (1986-90) as "a time of opportunities and challenges" for the province's economic development, especially for its foreign economics and trade. He said that what the province achieved during the Sixth Five-Year Plan (1980-85) had, to a degree, put its economy in line with other world markets and economies.

"Guangdonx may turn out to be 'a province of trade' in the future," Yu said. "We see the necessity of making relevant adjustments in our economic policies."

In fact, the province is already on the way to developing such an economic structure. According to Yu, Guangdong was quick to take advantage of a lower dollar, a higher Japanese yen and economic structure. According to Yu, Guangdong was quick to take advantage of a lower dollar, a higher Japanese yen and economic structural changes in the Pacific Rim that has occurred since 1986.

Forcing its way into the world economic arena changed the province's economic structure said Yu. Rough estimates show that one-fourth of the province's GNP, its national income and capital investment in 1987 was finished at or flew in from, the international markets.

The deputy-governor emphasized that in the coming 13 years, the province must take on a task more significant than pure economic growth. He described this as "two shifts", i.e. shift from domestic-oriented to export-oriented and from product economy to commodity economy.

A job well done would not only mean the growth of quantity in the province's economy, but also an improvement in quality. The ultimate aim is to buibd a socialist commodity economy guided by international markets and regulated by market mechanisms.

To achieve this aim, the province must take on the following challenges, according to Yu. first, to perfect the system of export production; second, to develop a raw material industry compatible with the expansion of exports, third to enlarge utilization of foreign capital and fourth to push for reforms with renewed ideas.

Firstly, by perfecting an export production system, the province should develop a number of key commodities for bulk exports to ensure the steady growth of exports.

The world economic structure still adjusting and reorganizing. This has provided an opportunity for the province to expand its processing trade. Over the past one or two years, processings of supplied materials, samples and patterns and compensation trade in the province have been brisk. The deputy-governor urged the province to continue making good use of this opportunity and do as much of this kind of business as possible.

Meanwhile, the province should not be too optimistic over the "brisk" scene in processing trade, the deputy-governor said. "We must pay close attention to every change in the world economic situation and make timely preparations in order tolmaintain a positive stand in the competition."

Yu suggested that the key export commodities for heavy development in the province should include the 10 major categories of shoes, packaging materials, toys, garment, wooden articles, plastic products, household electrical appliances, hardware, building ceramics, building materials, and arts and crafts.

According to Yu, these products use an intensive labour force, have a large marketing capacity, a steady demand and an amazing volume of sales in the world. The province was gifted with the advantage and potential to develop these products.

The province bid up efforts to build a number of key enterprises for these products, in the hope that their exports might bring in about $10 billion by the end of this century.

To realise this, the province's foreign trade system should cast off its old self, said Yu. A system of full financial responsibility for profits and losses, open management, and an integration of industry-agriculture-trade and production-sale must be developed in foreign trade bodies. Divisions between foreign trade and production that have existed should be ironed out. "It may be expected that foreign trade will become an important, unseparated part of the provwnce's economy," Yu said.

Speaking of the development of a raw material industry compatible with the growth of export production. Yu said that a shortage of material supply had become more serious as a result of the rapid emergence of export production and processing.

"To solve the problem, guangdong should develop its own material industry. China is a country where per capital natural resources are low. Its coastal regions, instead of relying on inland regions for materials and preliminary products, should consider 'massive imports' of raw materials. As a second step, these materials should be processed and turned into finished products for exports. Meanwhile, the large labour force of the country, which is available, was put to good use and comparative profits retained," Yu said.

The problem lies in how to improve the level of consumption of these imported materials, Yu said. "Our export and processing industries used to eat up large amount of these materials. Why can't we turn this into a stimulus for production? Just think of going one step forward—to produce by ourselves these materials we import today and combine with other raw materials used in the production ladder."

"The focus of developing raw materials shouldlbe on those bhich have great demands, have imported for long period and those which can be directly turned into finished products," Yu said. These would include ethylene, polyester chips, titanium dioxide, soda, steel and alloy aluminium materials."

While other cities in the province were encouraged to set up their own material supply bases, large products of this kind would be built mainly with provincial investment.

"In the coming 13 years, a sustained and steady growth of the province's economy will require a sizable investment. We must maintain a comparatively high accumulating rate in the redistribution of our national income so as to satisfy the demands of fixed asset investment," Yu said.

Meanwhile, the province also placed great hope in increasing the scale of foreign capital used, both direct and indirect. "We believe that the utilization of foreign capital will not only help fullfill our investment input, but also improve our investment quality, because an inflow of foreign funds means the inflow of foreign advance technology.

Foreign clients are welcome to set up joint ventures, co-operative businesses and wholly foreign funded enterprises in the province. Also, some of our business could be transferred, under the princi)3 9! .757-) ?3,3!85 -,$ 317-)856, to be managed by foreign clients, the deputy-governor said.

Emphasis should also be placed on international indirect investment, Yu said. One of the major benefits of using indirect foreign investment is that it left room for options. The province could use funds collected from the international monetary market to purchase technology and equipment vital to production renovation. So far, a number of large projects which were technically advanced and economically effective have been built with indirect foreign investment.

Shandong: Meeting on Opening to Outside World Opens 11 March

SK140435 Jinan Shandong Provincial Service in Mandarin 2300 GMT 12 Mar 88

[Text] The meeting on opening to the outside world cosponsored by the provincial party committee and government opened in Jinan on 11 March.

On the afternoon of 11 March, Jiang chunyun, deputy secretary of the provincial party committee and provincial governor, gave a speech on how to implement the province's strategy for economic development in coastal areas. He pointed out: The general plan for developing the province's export-oriented industry is to strive to attain the present level of Guangdong Province in 5 years. Toward this end, the provincial party committee and governor has called on all levels and all trade and professions to emancipate thinking, be capable and daring, and exert efforts to implement the strategy for economic development in coastal areas within a short period of time.

In his speech, Jiang Chunyun said: Viewing our province's previous work stage, the province and all localities and departments have adopted a positive attitude in implementing the strategy for economic development in coastal areas. However, they still lag far behind the central demands. The promiment manifestations are: Their ideology, work, workstyle, systems, various regulations, and cadre ranks cannot cope with the development. The present domestic and foreign situations are gratifying and pressing. There are two kinds of competition—both domestic and foreign competition—lying ahead of us. If we fail to catch up with the others, we will lose our favorable opportunities internationally and widen the gap between the advanced provinces and cities domestically. Therefore, it will not do for us to remain indifferent, stress only principles, adopt a wait-and-see attitude, do things at a leisurely pace, and lack boldness. We must quickly wake up to reality, take quick action, be brave in pioneering the work, and strive to catch the first train.

Jiang Chunyun pointed out: To open our province to all directions and to the five continents of the whole world, we must adopt various methods to publicize Shandong to the world in an effort to raise province popularity. The province has decided to work out some prominent policy decisions within a short peyiod of time, and use domestic and foreign press units to widely create public opinion. It is worthwhile to spend money in this field.

Jiang Chunyun pointed out: Shandong is a coastal zone. All its 150,000 square meters of land should be opened to the outside world. All cities and localities should actively participate in international exchange and competition. The open economic zone in Shandong peninsula should be given a free hand in developing the export-oriented economy. We should strive to take 3 of 5 years to make the proportion of the value of export product delivery to the total industrial and agricultural output value increase by 100 percent or so, and strive to achieve the goal of all villages having farm and sideline products to export, all townships having manufactured goods to export, and all counties having competitive products to export, and establish a number of specialized villages and households for processing export products. The province and all localities and departments should revise their original plans at each level land formulate plans for developing the export-oriented industry. While formulating plans, we should give consideration to Shandong's characteristics and persists in fighting with two fists. The first fist is to consider township enterprises and key enterprises in cities as the mainstay, actively develop both ends on world markets and major imports and exports, and export labor intensive products and labor and knowledge intensive products by developing the three forms of export processing and compensation trade and the processing industry with materials supplied by foreign firms. The second fist is to fully use the superiority of local resources to raise the scope of processing, use less raw materials to gain more foreign exchange, import advanced foreign technology, actively use foreign capital to transform outdated enterprises, raise the processing level and upgrade products, actively intensively carry out the processing industry to raise product value, and strive to improve the quality of products while increasing export volume.

Jiang Chunyun said: The biggest problem we have encountered over the course of implementing the strategy for economic development in coastal areas is that the outdated systems for foreign economic relations and trade have hampered the people's initiative. Therefore, accelerating and deepening the reform of the foreign trade system is key to implementing the strategy for economic development in coastal areas. In his speech, Jiang Chunyun also gave a detailed exposition on making flexible and good use of central policies, improving the investment climate, training competent personnel, building contingents of cadres, providing scientific services, strengthening leadership, and this year's development plans.

At the end of his speech, Jiang Chunyun stressed: This year is the first year of comprehensively reforming the foreign trade system. We should enhance our spirit, fight

indomitably, develop foreign export trade in a down-to-earth manner, and strive to achieve a new and greater increase in this year's foreign exchange earnings through exports.

Lu Maozeng, deputy secretary of the provincial party committee; Yang Xingfu, and Gao Changli, members of the Standing Committee of the provincial party committee; Ma Shizhong, Tan Qinglian, Zhao Zhihao, and Li Chunting, vice governors; and Ma Lianli, Zhang Jingtao, and Han Bangju, special advisors of the provincial governor; and Comrade (Li Yu), president of the Shandong branch of the China Association for Promotion of Trade, attended the meeting.

XINHUA: Xinjiang Seeks Increased Export Volume

OW121030 Beijing XINHUA in English 1631 GMT 12 Mar 88

[Text] Urumqi, March 11 (XINHUA)—Xinjiang aims to increase its 1988 export volume to 250 million U.S. dollars, up 12 percent over 1987, said Chairman Temur Dawamael of the regional government today.

The region also plans to attract an additional 47 million U.S. dollars in foreign investment, 64 per cent more than last year, he said.

Temur Dawamael pledged to continue improving the region's investment conditions. "We'll see to it that the foreign investor in a joint or cooperative venture will play a predominant role in the management of the enterprise," he said.

According to the chairman, this far northwest region now has 40 Sino-foreign joint ventures, co-operative enterprises and purely foreign-funded corporations.

The regional governmept hopes to attract 54,000 tourists from overseas this year, compared to 42,072 last year.

To attain this goal, he said, privately and collectively-owned tourist businesses will be allowed in the region's popular tourist spots.

ECONOMIC ZONES

Shenzhen Industrial Output Up in February

OW160120 Beijing XINHUA in English 1500 GMT 15 Mar 88

[Text] Shenzhen, March 15 (XINHUA)—Shenzhen Special Economic Zone recorded an industrial output of 921 million yuan last month, up 65 percent over the same month last year.

Imports and exports were worth 666 million U.S. dollars, up 55 percent from February 1987. Exports were 92 percent higher at 338 million U.S. dollars.

The zone spent 171 million yuan in capital construction projects during the month, a slight 3.7 percent rise above last February's figure.

TRANSPORTATION

Electric Locomotive Received From Soviets

40200261 Moscow TRUD in Russian 20 Dec 88 p 2

[Text] A two section electric locomotive numbered 001 has been sent from the production association of the Novocherkassk Electric Locomotive Building Plant to the Chinese People's Republic. According to the agreement concluded between the USSR and the PRC the plant should deliver 100 powerful locomotives to the Chinese railways during the Soviet Twelfth 5-Year Plan. In accordance with the contract the first group of probationers from China have arrived in Novocherkassk. They will study the specifications for servicing it.

AGRICULTURE

Chen Yaobang Interviewed on Agricultural Development

40060148 Beijing NONGCUN GONGZUO TONGXUN [RURAL WORK NEWSLETTER] in Chinese No 1, 5 Jan 88 pp 4-6

[Article by NONGCUN GONGZUO TONGXUN staff reporter, edited by Feng Tianwei [7458 1131 0251]: "Intensify Reform, Enhance Economic Vitality, and Tap Potential—A Visit to Ministry of Agriculture, Animal Husbandry, and Fishery Vice Minister Chen Yaobang [7115 5069 6721]"]

[Text] At the appropriate time each winter for the past few years, the central authorities have convened a National Rural Work Conference to seriously analyze the existing rural economic situation and make an effort to study and plan for rural work during the next year. But no such conference was called in 1987. With the coming of the new year, many comrades are concerned and wondering exactly how the rural economy fared in 1987. What main direction should agriculture take in 1988? With these questions in mind, we paid a call on comrade Chen Yaobang, who has just returned from another part of the country.

Comrade Zhao Ziyang incorporated a special discussion of agricultural issues in his report to the 13th Party Congress of the CPC. He stressed that agriculture is an extremely critical issue that affects our overall state of construction and reform. How will agriculture develop in the future? Comrade Ziyang talked—and very clearly, I might add—about everything that reforms and inputs must focus on and about what our objectives are to be. If only we intensify reform, enhance economic vitality, rely upon science and technology, and tap our potential, it will be entirely possible for us to resolve China's agricultural problems.

Chen Yaobang analyzed the state of the winter-1987 rural economy for us and concluded that the overall situation should be considered quite good, characterized by sustained, stable development. We can discuss the situation from four aspects, as follows:

The first aspect is farming. Projections for 1987 indicate that, except for a slight decline in sugar production, production will rise over 1986 levels for grain, cotton, and oil crops. Grain output may reach about 400 billion kg. As for our level of production, it is not far below the historic high set in 1984, because grain growing area declined between 1984 and 1987. Cotton production may reach about 4 million tons, up approximately 500,000 tons over 1986. Oil-crop output has already surpassed 15 million tons, for an increase of 300,000 tons over 1986. Gross sugar output has declined slightly since 1986. Thus, as far as production of the four most important farm crops is concerned, we have to consider the situation good. Of course, from another perspective, we are still unable to meet demands.

The second aspect is animal husbandry. In 1987 our output of large livestock, eggs, and milk increased, and the only decline was in hog production, particularly a fairly large decrease in sow production. But recently hog production has begun to recover. Overall, our level of pork, beef, and mutton production has remained substantially constant since 1986.

The third aspect is the aquatic products industry. In the past few years output of aquatic products has grown 1 million tons per year, and this growth rate was maintained in 1987. Production of aquatic products topped 9 million tons in 1987.

The fourth aspect is township enterprise. It is projected that in 1987 the value of output from township enterprises will be up 30 percent over 1986. It may reach 450 billion yuan and exceed the value of agricultural output.

Overall, we continued to achieve sustained, stable rural economic growth in 1987. Because of growth in agricultural production and township enterprises, the average per capital peasant income will also increase substantially.

Chen Yaobang feels that the general guiding ideology for rural work in 1988 should be to act in the spirit of the 13th Party Congress of the CPC by intensifying reform, enhancing economic vitality, relying on science and technology, tapping our potential, improving returns, and striving for substantial growth in agricultural production. Based on national economic needs, the focus of our efforts must be to earn foreign exchange on exports of grain, cotton, sugar, pork, vegetables, and the products of township enterprises. The specifics are as follows:

I. We Must Meticulously Organize 1988 Production in Agriculture, Animal Husbandry, Fishery, and Township Enterprises

First, as far as farming distribution is concerned, we must stabilize grain growing area and increase multiple cropping to make up for losses of grain land to other uses and to cash crops. We increased our fall and winter crop area by more than 10 million mu last winter, and this spring we must do more interplanting among grain crops. In the paddy regions on the middle and upper reaches of the Chang Jiang, we must develop ratooning rice. We must do everything we can to preserve grain growing area.

As for cotton, which is in rather short supply in relation to demand, we must expand cultivation somewhat wherever it is suitable to do so. Cotton growing area in 1988 must expand at least several million mu over 1987. For example, we should expand cotton growing in the slightly saline regions of Heilonggang, Hebei; northern Shandong; and eastern Henan. Grain production in these regions is poor, whereas cotton production is somewhat better. After cotton production increases, it may paradoxically promote grain production because it will provide cottonseed cakes to fertilize the land and because farmers will take quite a lot of chemical fertilizer in reward for selling cotton. We should also expand production of sugar crops in suitable regions where we have the capacity to process them.

In animal husbandry, we must strive to develop a livestock industry centered around hog production. At the same time, we must make full use of fodder resources available to the livestock industry in China by developing production of grazing animals. In addition to fully utilizing grasslands in northern pastoral areas and grassy mountain slopes in southern farming regions, we must also give some attention to using the large volume of crop stalks and rice dregs cakes available in the countryside.

In the aquatic products industry, in addition to striving to develop domestic freshwater and coastal shoal fish breeding and suitable fishing, we must actively develop deep-sea fishing.

In township enterprises, we need to conscientiously implement an economic development strategy of "attention to returns, quality improvement, coordinated development, and steady growth." Our focus must be on successfully creating foreign exchange through exports of township enterprise products. In 1988, in cooperation with the State Economics Commission and the Ministry of Foreign Economic Relations and Trade, we will establish a group of coordinated "trade, industry, and agriculture" export bases. We will develop labor intensive, export-oriented products. After we develop export-oriented production in township enterprises along the developed coastal regions, we can cede the domestic market to the central and western regions. This way, these regions will devote their efforts to developing locally advantageous products.

II. We Must Take New Steps in Reform. The Focus of Reform Must Be as Follows:

1. We must establish a sound agricultural services system. It is very important to provide services in the agricultural system, and to do so we must first perfect our system of basic services. We must reform the service system in the direction of "comprehensive station organization and management services." "Comprehensive station organization" means that we must organize the basic agricultural stations and change them from scattered specialized stations, as they were formerly, into comprehensive service units. For example, in agriculture we must do our best to coordinate technological extension, seeding, soil fertilization, crop protection, agricultural mechanization, and so forth, and unify services. "Management services" means that, based on the characteristics of the output-related system of contracted household responsibility and the demand for developing a commodity economy, we must develop a whole body of pre-production, production, and post-production services. We must launch operations revolving around services and really do a good job on agricultural service efforts. On the one hand, these service efforts will satisfy the peasants' demands for pre-production, production, and post-production services and ensure that there will be enough people to manage undertakings that cannot be handled successfully by single families or households. On the other hand, launching management services will allow self-accumulation and self-development in basic service units and ensure that they develop vigorously. At the same time we must stimulate scientific and technical personnel and encourage them to launch technological contracts, participate in scientific and technological development, and organize economic associations for scientific and technological production. Basic technical agricultural extension work must adhere to a policy of "integrating specialized groups," and it must help peasants organize research organizations, technological associations, and scientific and technical organizations that have a mass character.

2. Given that we perfect the organization of services, and according to the level of economic development in a particular locale, we must proceed as follows: Wherever township enterprises are developed and there is an outlet for the shifting labor force, as the agricultural labor force shifts toward secondary and tertiary industries, we must gradually guide the process toward a suitable scale of operations for agricultural development. This must be based on voluntary participation by the masses.

3. Major cities, including some medium-sized and small cities, must learn more from what they have experienced implementing a production, supply, and marketing "whip" in the production and supply of non-staple foods. They must ferret out a way to reform the management system responsible for producing and supplying the cities with non-staple foods.

4. Township enterprises must focus primarily on perfecting the system of contracted responsibility and strengthening the enterprise management system so that enterprises will be truly autonomous. At the same time, we must further augment the quality of township enterprises and their products and improve economic returns by enhancing training, improving enterprise management and technological renovation, gradually establishing a system to monitor product quality, and strengthening quality control. The objectives of enterprise expansion in developed coastal regions are as follows: first, to develop exporting enterprises and produce export goods; and second, to coordinate with major industries in large cities so as to produce component products for them. In the interior, depending upon local resources, township enterprises seek to develop processing industries, mineral products industries, construction industries, and building materials industries to make use of agricultural sideline products. In order to enhance economic development in the interior, we must organize more direct dialogue between entrepreneurs and factory directors in the eastern and western portions of the country to ensure that eastern talent, technology, and funding are integrated in the best possible way with western resources, and to help the west develop township enterprises.

III. We Must Rely Upon Scientific and Technological Advances To Improve the Quality of Laborers.

To tap agricultural potential, we must rely chiefly upon science and technology. We are now popularizing many technological measures that are very effective in raising yields, but there is still great potential for popularizing science and technology. For example, we extended hybrid rice dissemination across 160 million mu by 1987, and the total may surpass 200 million mu by 1990. In the next 3 years we may add 10 million mu, which, at an increased yield of 75 kg per mu, would bring in an additional 100 to 800 million kg of rice. Adding in the 10-plus kg per mu increase each year in unit yield that hybrid rice itself has displayed over the past few years, the grain harvest may rise by 2.5 billion kg per year for each of the next three years thanks to the hybrid rice factor alone. In 1987 the Ministry of Agriculture, Animal Husbandry, and Fishery and the Ministry of Finance joined forces to organize a "bumper harvest project" to stimulate competition between various provinces, prefectures, and counties to increase production. Local areas also set up a number of "bumper harvest projects" coordinated with the one organized by the central authorities. In order to further promote the spread and improvement of science and technology, we resolve to learn well from our experiences. In January 1988 we intend to establish a "bumper harvest project," and before the spring sowing we will sign "bumper harvest" contracts with each province. These will be put into effect as soon as possible.

IV. We Must Further Enhance Construction on Commodity Production Bases.

During the Sixth 5-Year Plan there were 60 commodity grain base counties. One hundred and ten have been

arranged and are now under construction in the first batch implemented under the Seventh 5-Year Plan. And there is another group of high-quality cotton bases, lean pork bases, vegetable bases, fruit bases, and aquatic products bases. In 1988 we must further perfect our method of linking investment with commodity supply, implement a system of economic responsibility for base construction, use our money wisely, and set up a real production capacity. We must also augment construction on bases for exporting agricultural and sideline products.

V. We Must Intensify Work on Our System of Agricultural Laws

In order to target problems that have appeared in some places—such as the traffic in phony pesticides, fertilizers, seed and other counterfeit or inferior commodities that entraps peasants and affects production; or the failure to comply with animal and plant quarantine regulations—we must strengthen publicity about legality and improve control over agricultural laws and regulations.

Finally, comrade Chen Yaobang confidently told our reporter that in order to succeed with reform and reconstruction, leading bodies will intensify their efforts at self-reform and further rearrange relationships within the agricultural system. In accordance with the principles that guide reform in the political system, we must clarify functions and gradually readjust organization. Right now, the first thing we must do is to successfully separate politics from enterprise, transfer power to the lower levels, and work earnestly to set up good enterprises and institutions so that they can play a greater role in developing the forces of production and promoting economic development.

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Extending Strategic Boundaries Past Geographic Borders

[40050155 Beijing JIEFANGJUN BAO in Chinese 3 Apr 87 p 3]

[Article by Xu Guangyu [1776 0342 5940]: "Pursuit of Equitable Three Dimensional Strategic Boundaries; Ninth in a Series on Development of Strategic Thinking About National Defense"; first paragraph is source-supplied summary]

[Text] **Abstract:** Strategic boundaries determine a country's and a people's living space. They are fundamentally characterized by three dimensions, totality, competitiveness, and complexity. They conceal an inherent danger for international confrontation, and they are also imbued with moment for protecting legitimate rights and interests. Pursuit of equitable strategic boundaries is of crucial importance for insuring a country's security and development.

In studying the strategic goals for development of its own national defense, no country can stray from the extremely important questions of to what extent national defense forces should be developed, and what sort of national strategy they should serve. Obviously, the strategic goals of various countries and their requirements for national defense forces differ, and are expressed in each country's living space, primarily in the different pursuit of geographic borders and strategic boundaries.

On Two Concepts of Boundaries

By geographic borders is meant territorial land, territorial waters, and corresponding territorial air in the usual sense. By so-called strategic boundaries is meant the limits of geography and space related to a country's interests that a country's military forces are actually able to control. Though not as well defined as geographic borders, they are important, objectively existing, and strategically contested domains that form a part of national policy pronouncements, diplomatic documents, and geographic maps, and that are closely related to national strategy and the building of national defense.

Geographic borders and strategic boundaries are not synonymous by any means. In the real world, some country's strategic boundaries are smaller than their geographic borders, which is to say that the military forces of these countries are unable to control effectively all the territory, territorial waters and territorial air space that should belong to that country. For some other countries, strategic boundaries are far far greater than their geographic borders. The fundamental reasons for this difference are that the aggregate national power of some countries is greater than others, and there are differences as well in the strategic objectives of different countries. Of course, there are also historical reasons, such as the aftermath to colonialist policies etc.

Geographic borders are relatively stable and defined, while strategic boundaries may change as overall national power changes. They are relatively unstable and ill-defined. Despite the differences between geographic borders and strategic boundaries, they are related to each other. The fundamental difference is that the former are internationally recognized territory, territorial waters, and corresponding territorial air space in which changes can occur under certain conditions. For example, when a country's strategic boundaries remain smaller than its geographic borders for a long period of time, and it is powerless to enlarge its strategic boundaries, its geographic borders may retract to its strategic boundaries, and it may lose some territory. Conversely, when strategic boundaries (particularly on the land and sea) that extend beyond geographic borders are effectively controlled for a long period of time, this may lead to an expansion of the geographic boundaries. This is one of the important reasons why all countries of the world devote extremely serious attention to competition for strategic boundaries.

In addition to the geographic borders of each country, large tracts of continental shelf and the high seas, polar regions, and outer space exist on the surface of the earth as vast domains that can be freely developed. This "visible space" has, in fact, become a major arena that various countries compete to develop. Some countries have even gone so far as to make the development of such space a formal part of their national security goals. In the United States national defense report for the 1988 fiscal year, the third of six articles on "principal national security objectives" was "insuring the ability of the United States to obtain major resources and markets, as well as to use the oceans and space." In addition, competition and rivalry in the "invisible space" of power spheres and ideology is linked in important ways to safeguarding and expanding individual strategic boundaries.

Strategic Boundaries and National Interest

Strategic boundaries determine a country's and a people's living space. This point is manifested prominently in the oceans. For countries along the sea, exclusive economic zones in the ocean and the continental shelf are major bases for energy such as petroleum and natural gas, as well as for fishing and mineral resources. For some maritime countries, oceans are even a decisive factor in their existence and development. This is because even for a country like our own with a vast land area and rich resources, there is a limit to the resources that the land can provide. According to international legal provisions, China has approximately 3 million square kilometers of ocean under its jurisdiction, or nearly one-third its land area. This an important adjunct to the land. As the economy and science and technology develop, and as we continue to develop the land, we will also have to obtain increasing amounts of our means of production and the means of livelihood from the sea, taking over a wider living space.

Second, with the development of science and technology, and particularly high technology as represented by electronics and biological engineering, as well as space and deep sea technology, mankind will greatly expand his conquest of natural space. He will be able to look down on every corner of the globe from outer space, providing services for the earth's development, and he will be able to set up energy collection stations and processing plants in outer space for the development of new energy sources and new materials. He will be able to penetrate polar regions and plumb ocean depths, probe natural mysteries, and obtain all sorts of riches that mankind needs for his existence. In fact, a country's ability to develop new space plays a decisive role in the strategic boundaries that that country possesses.

Next, the high degree of development of modern military technology, and the appearance of a series of three dimensional, long-range early warning and long-range offensive weapons systems have forced countries that want to effectively protect their own security to obtain an early warning space and a strategic depth that are vastly larger than formerly. They must also strive for the military power and technical weaponry necessary to enable earliest discovery and interception of enemy intrusions, or to do all possible to move their own deployments forward in order to shorten the time required for discovery and interception of the enemy. For this reason, the use of every possible means to push the battlefield from the geographic border to the strategic boundary, exchanging strategic space for strategic reaction time, has become a strategic goal that many countries pursue with vigor.

In addition, expansion of the space in which economic activity is conducted is also an important reason for the steady expansion of strategic boundaries. The U.S. Navy's announcement about wanting to control 16 sea lanes throughout the world holds not only direct strategic significance militarily, but also provides backstopping for America's global foreign trade and marine transportation.

Basic Features of Strategic Boundaries

The idea of strategic boundaries has been around for a long time. During the Middle Ages, the empire of the Genghis Khan relied on the extremely powerful survivability and mobile assault capabilities of cavalry troops at the time, as well as the way of life of nomads roaming over great distances to create strategic boundaries on land that were historically unprecedented in their vastness. During the 19th century, western gunboats opened strategic ocean frontiers for powerful oceangoing countries. The British Empire's "sun never sets" demonstrated its global ability to control the seas. Nevertheless, such historically one dimensional and low level strategic boundaries were not of the same order as the strategic boundaries of today. Since the advent of the 1980's, strategic boundaries have exhibited greater complexity.

Three Dimensional Nature. The strategic boundaries that are sought today have expanded from the land and the sea to space and the ocean depths. Not only do super powers risk all to expand their control over the oceans and space to achieve world hegemony, but any sovereign country that wants to remain independent among powerful nations has to begin with the protection of its own legitimate rights and interests, and it has to hold a certain strategic boundary in three dimensions if it is to obtain the position and right to speak out that it deserves in the complex world strategic structure.

Totality. Although strategic boundaries are expressed in a concentrated way in the ability of military power to extend effective control in three dimensions, it is, in reality, the totality of the real power of a country's national economy, science and technology, politics, society, national defense, and foreign relations that backs it up. Thus, the size of strategic boundaries is the embodiment of total national power. Only countries that are strong and prosperous in a total sense can possess the power to push their strategic boundaries beyond their geographic borders. Only strategic boundaries founded on total national strength can be effective and stable, and able to form a benign cycle in which total national power and strategic boundaries complement each other.

Competitiveness. Although the geographic borders of all countries are relatively stable, for various historical, political, and economic, as well as military and diplomatic reasons, a cold war or a hot war may occur, and rivalry becomes more intense over the not-too-stable strategic boundaries. Such competition is expressed in man-made changeability, the tendency to fill a vacuum, and the very strongly temporal nature of strategic boundaries.

A powerful country can push its strategic boundaries into an geosynchronous orbit and use space technology to monitor its adversaries' national territory, and its ballistic or cruise-type strategic weapons systems. It can control shipping lanes far from its home country, and encroach upon an adversary country's territorial waters. It can also send its troops to occupy areas abroad, and push the land warfare "frontline" to a foreign battlefield far from the home country's territory, thereby realizing the goal of a large strategic boundary. A reverse situation may occur for a relatively weak country. For example, it will be powerless to enter space, and will be able only to resign itself to being monitored and menaced from space by powerful countries. It will be unable to set foot in the ocean beyond its coastal waters, and it will be able, at most, to defend only inshore areas, finding it difficult to protect its legal rights and interests on the seas. It may even be powerless to control the geographic borders of all its own land, resulting in an abnormal situation of its strategic boundaries being smaller than its geographic borders. This demonstrates the man-made changeability of strategic boundaries. Every country naturally wants to make the most of advantages and avoid disadvantages, thereby intensifying the competitive flavor of this changeability.

Today, more than 130 million square kilometers of the earth's land area (not including Antarctica) is basically in a non-vacuum state of being under control of some country. The corresponding territorial waters and inland seas of various countries amount to only an extremely small part of the world's total ocean area of more than 360 million square kilometers. As competition and control by various countries progresses, an overwhelming portion of the oceans as well as outer space around the globe will also gradually lose its vacuum status. The development of science and technology and of the economy is bound to increase rivalries for coastal waters, the open seas, polar regions, and outer space. More and more countries will take part in the competition, and the contested space will become increasingly distant. It may be foreseen that the results of this developing tendency to leave no vacuum unfilled will lead to the second delineation of space, meaning that once a country's geographic borders have been fairly firmly delineated, a new stage of delineating strategic boundaries will be entered.

Timeliness is yet another important attribute of competition. Competition for strategic boundaries is competition for space for security, for existence, for scientific and technical development, and for economic activity. Since this competition occurs in the relatively empty high seas, in space, and in remote regions where "the race is to the swiftest," to lose time is to lose space. Ability to seize the hour and take advantage of favorable opportunities will directly affect the strategic outcome of the competition for space.

Complexity. Since strategic boundaries may depart from the confines of geographic borders, and penetrate the high seas and the space above other countries, unavoidably, a complex situation of three dimensional overlapping, intermingling and dynamic changes in the strategic boundaries of different countries will occur.

A look at space shows extremely pronounced overlapping and intermingling. For example, Soviet satellites and spaceships are able to traverse space over the United States, monitoring American military bases in the United States itself and throughout the world. When necessary, the USSR will also be able to deploy space weapons systems to contest supremacy in outer space with the United States. In planning large scale strategic defense in space, the United States will expand its "high frontier" to enable it to monitor and to intercept at various levels Soviet strategic offensive weapons in order to improve its own strategic competitive position. In addition, second and third world countries will also create conditions for increasing their capabilities to advance into space to seek a "high frontier" from which they can protect their own strategic positions. This will be bound to create a complex situation in outer space of mutual penetration and limitation.

The situation on the oceans is even more complex. America's four fleets (the eastern and western Pacific fleets, the North Atlantic Fleet, and the Mediterranean Sea Fleet), as well as one detached fleet (the Indian Ocean detached fleet, which is part of the Western Pacific Fleet), with a total of approximately 200-odd medium size or above surface ships and nearly 100 attack submarines strives to control shipping lanes throughout the world that are pertinent to America's interests. Its fleets and ocean strategic offensive forces—nuclear-powered ballistic missile submarines—are able to press in on the Soviet Union's sphere of influence. Nuclear submarines with missiles ready for launch are located in Soviet coastal waters, and nearly one-half or more of America's nuclear powered ballistic missile submarines patrol the oceans day and night awaiting orders. The Soviet Union's nearly 300 medium or above surface combat ships in three ocean and one sea fleet, as well as more than 200 attack submarines are likewise arrayed to expand the scope of operations tit for tat, and to occupy bases abroad. Soviet nuclear submarines also patrol American coastal waters, actively contesting with the United States efforts to create a global strategic boundary image. In many ocean areas, serious accidents involving collisions of the ships of both countries have occured several times as a result of too frequent mutual penetration activities. In addition, some countries have taken it upon themselves to enter ocean areas under the jurisdiction of other countries to exploit resources illegaly. Instances in which islets and ocean territory of other countries have been occupied have also taken place.

Cases in which strategic boundaries do not conform to geographic borders, and in which claims conflict also exist internationally, and they have frequently become hot spot or cold war areas for international clashes.

The foregoing characteristics show that the three dimensional boundaries of the world of today are a complex phenomenon involving strategic competition. They conceal inherent dangers for international confrontation, and they are also imbued with moment for protecting legitimate rights and interests. If we are able to handle them correctly and take timely and appropriate countermeasures, we will be able to make a greater contribution to safeguarding world peace and to developing our own country's socialist economy.

Strategic Boundaries and Active Defense

Strategic boundries extend and retract as total national strength increases or decreases. However, in terms of the overall trend of development, virtually all countries strive from within limited and relatively stable geographic borders to obtain three dimensional strategic boundaries that extend beyond their geographic borders. A relatively common tendency in expansion that is manifested in different degrees and in different ways by different countries is for hegemonist countries to seek global strategic boundaries, and for expansionist countries to seek regional aggressionist strategic boundaries, while peace-loving countries seek legal strategic boundaries.

China is a peace-loving socialist country whose strategic goals are extremely clear cut. That has been expressed many times by Chairman Deng Xiaoping's two points, one of which is the safeguarding of world peace, and the other of which is the development of socialist productivity. We want to achieve the goal of quadrupling the gross output value of national production by the end of this century, and to take off during the 21st century to lay a solid foundation for entering the ranks of the powerful countries of the world by the 100th anniversary of the founding of the People's Republic. To do this requires a peaceful and stable external environment and a stable and unified internal environment, in addition to certain time and pace conditions. Consequently, possession of necessary three dimensional strategic boundaries, the building and maintenance of needed security space, living space, scientific and technical development space, as well as space for economic activities are requisite conditions for safeguarding the country's legal interests and for insuring the country's security and smooth development.

Pursuit of equitable three dimensional strategic boundaries and the winning of required space for security and development is completely synonymous with the strategic policy of active defense that China pursues. This is because it is the establishment and protection of China's legal strategic boundaries in space, on the sea, and on the land that is founded on recognition of geographic borders and in accordance with principles recognized by international law. It is neither expansion of geographic borders nor expansionist or hegemonist aggressive expansion of strategic boundaries. In the actual establishment of China's legal three dimensional strategic boundaries, it is necessary, first of all, to supplement certain traditional concepts about active defense strategy that have been built on a foundation of a continental conception of our country.

The "national gateway" concept of active defense that we are accustomed to using must be pushed outward from traditional geographic borders to strategic boundaries. We formerly emphasized mostly the protection of our territory and territorial waters out to 12 nautical miles, using this as the national gateway in resisting the enemy. Such a perception has limitations. In view of the real threats and the potential threats that the nation faces, as well as the new trends of development in the world's oceans and in space, only by pushing the "national gateway" to the edge of the 3 million square kilometer zone of ocean jurisdiction, by maintaining the same geographic borders on land, and by entering a "high frontier" in space is it possible to gain the needed total space to insure the country's security and development.

Emerging "battlefield" concepts will also necessitate gradual expansion. In traditional active defense, the main battlefield was seen as being the land, and mostly inside the country. With the establishment of three dimensional strategic boundaries, the battlefield in a future war against aggression must be moved outward. Naval warfare, blue ocean warfare, and space warfare, as well as land attacks can all occur.

Corresponding changes will also take place in the make up of military forces. Purely defensive forces located nearby the continental territory will obviously not easily meet the needs of three dimensional strategic boundaries. For this purpose, we need to build a three dimensional menacing force that is able to protect China's legitimate rights and interests, and that is able to operate on a battlefield removed from China. For example, it would be a force able to move rapidly over great distances, and able to carry out land warfare on a different scale and of different intensity in all weather conditions, and it would use long range detection, interception, and strategic defensive and offensive weapons systems for carrying out prompt counterattacks in space, on the land and on the sea. It would be a crack combat force able to fight at sea anywhere to protect the shoreline, to seize coastal waters, or to fight in the open sea.

In addition, the three dimensional strategic boundaries issue will also pose a series of new problems for military science theories and for the development of military science and technology.

In summary, in studying the development of a strategy for China's national defense, and proceeding from the country's strategic goals, it is very necessary to earnestly explore and study the strategic boundaries issue as well as a series of new issues that proceed from it.

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